



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA



Comprehensive Annual Financial Report

A Component Unit of the State of Oklahoma

Fiscal Year Ended June 30, 2017



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Mission Statement

We collect, protect and grow assets to provide a secure retirement income for public education employees.

Vision

The vision of Oklahoma Teachers Retirement System is to:
Provide quality service to our clients in an efficient, economical manner,
Provide our clients on-demand and accurate access to their personal financial information,
Educate our clients about their retirement benefits, and
Inform our clients about the financial status of Oklahoma Teachers Retirement System so they will be confident in our ability to provide their benefits.

Core Values

We value the following in delivering our service:

Customer Service

Teamwork

Reputation

Adequate Funding

Competency

Ethical Behavior



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

A Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Tom Spencer

Executive Director

Prepared by the Finance Department of the Teachers' Retirement System of
Oklahoma

Oklahoma Teachers Retirement System

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TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA



Introductory Section



TOM SPENCER
EXECUTIVE DIRECTOR

MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA TEACHERS RETIREMENT SYSTEM

December 19, 2017

The Board of Trustees
Teachers' Retirement System of Oklahoma
2500 N. Lincoln Boulevard
Oklahoma City, OK 73105

Dear Board of Trustees:

We are honored to present the 2017 Comprehensive Annual Financial Report (CAFR) of the Teachers' Retirement System of Oklahoma (the System) for the fiscal year ended June 30, 2017. The information included in this report not only defines our purpose, but represents our commitment to protecting the financial future of our active and retired clients. We accomplish this by monitoring and evaluating our daily operations as well as prudently managing the \$15.46 billion of net assets in the fund excluding the assets of the 403(b) Plan. The Teachers' Retirement System of Oklahoma is a component unit of the state of Oklahoma.

Profile of System

Established by legislation, the System began operations on July 1, 1943. The System provides retirement allowances and other benefits to public education employees in the common schools, career technology centers, colleges and universities, and other local and state educational agencies of the state of Oklahoma.

The mission of the System is to collect, protect and grow assets to provide a secure retirement income for public education employees. The System also strives to provide outstanding customer service to all of our active and retired clients. All services provided by the staff are performed to meet these objectives.

Management Responsibility

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that the transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets

and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures. Responsibility for the preparation, accuracy, completeness and fairness of this presentation, including all disclosures, rests firmly with the System's management. To the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The System maintains a comprehensive internal control framework designed to assure that assets are safeguarded from theft or misuse, transactions are completed accurately, and financial statements are fair and reliable. Internal control is designed to provide reasonable assurance, but not absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes first, that the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of cost and benefits requires estimates and judgments by management. The System has its own internal audit program and uses a private firm retained by the Board of Trustees that answers directly to the Board. The firm not only analyzes financial issues and risk, but also provides advice on work flow and internal processes improvements.

The System operates according to an administrative budget approved annually by the Board. Although revenue is not appropriated from the state's General Revenue Fund, the budget is submitted to the Legislature as part of the Governor's recommended budget. The System operates under the same budgetary controls that apply to all state agencies.

The basic financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. An independent auditing firm, Eide Bailly LLP, has audited the financial statements included in this report and its opinion letter is presented in the Financial Section of this CAFR. Readers are encouraged to review the Management's Discussion and Analysis (MD&A) in the Financial Section for an in-depth discussion of the financial statements and the cause and effect of market conditions, legislation and changes in operations affecting the System's financial results.

Economic Condition and Outlook

U.S. economic statistics were mostly positive in FY 2017. The U.S. Gross Domestic Product (GDP) rose in all four quarters (First quarter 7/1 to 9/30/16: 3.5%; Second quarter: 2.1%; Third quarter: 1.4%; and Fourth quarter: 2.1%). Personal income also increased in each of these same quarters: 1st – 1.1%; 2nd – 0.3%; 3rd – 1.4%; 4th – 0.7%. Unemployment declined throughout FY 2017. The rate was 4.9% in July 2016, and it was down to 4.4% at the end of June 2017. (Sources: Bureau of Economic Analysis and Bureau of Labor Statistics).

As a whole, the increase in net position of TRS was due to investment gains as a result of a significant rebound in equity markets during the System's FY 2017. Investment markets had generally positive returns and exceptional returns in many categories. International and U.S. equities had very good performance for the year. International equity index returns ranged from 20% to more than 23% for the year. Domestic stocks also did well with index returns ranging from around 18% for large cap equities to more than 24% for small cap equities. It was not a good year for fixed income with all of the leading indices in negative territory with the worst performing being U.S. government bonds losing more than 2%. Corporate investment grade bonds returned slightly more than 2%. High yield bonds had a positive

year with returns in excess of 12%. Finally core real estate returned more than 8% and private equity came in at more than 20%. (Source: AndCo Consulting).

Most investment consultants are not optimistic that their pension fund clients will continue to get high returns. Ten years ago the median public fund had an 8% assumed return for actuarial purposes. That median return assumption has fallen to 7.5%. (Source: National Association of State Retirement Administrators (NASRA)). TRS reduced its return assumption from 8.0% to 7.5% in FY 2016.

Investments

For FY 2017, the System experienced a 15.3% positive rate of return. Net investment income, including realized and unrealized gains and losses, was a positive \$2.0 billion compared to a negative \$365 million for FY 2016. The net position restricted for pensions totaled \$15.6 billion on June 30, 2017 compared to \$13.9 billion on June 30, 2016. These numbers include the amounts held in trust for members who participate in the Systems 403(b) Tax Sheltered Annuity Plan.

On June 30, 2017, the System's investment portfolio mix at market value was 22.2% fixed income, 57.7% equities, 5.5% master limited partnerships, 7.2% real estate, 5.9% private equity, 1.4% opportunistic and cash of .10%. As fiduciaries for the retirement funds, the Board of Trustees is responsible for investment of the funds under the prudent investor standard. This standard allows the System to allocate trust funds across a broad group of asset classes. The Board of Trustees has elected to limit investments to stocks and bonds, Treasury Bills and Notes, commercial paper, foreign currency exchange contracts, private debt and private equity, master limited partnerships and bank deposits collateralized by U.S. Government securities.

Returns in virtually every category were excellent. The TRS Domestic Equity composite returned 21.89% and International Equities came in at 20.77%. Total fixed income returned 3.84%, however high yield bonds returned 12.36%. The alternate asset classes returned a composite 9.43% led by private equity at 15.5% and opportunistic fixed income at 14.37%. A summary of the System's investment activities during fiscal year 2017 and historic performance results is presented in the Investment Section.

Revenue and Funding

The major sources of revenue for the System are member contributions, employer contributions, dedicated revenue from the state of Oklahoma, and investment income.

Active member contributions for fiscal year 2017 were \$292.9 million, which represents 7.0% of covered payroll. This compares to \$294.5 million for the fiscal year ending June 30, 2016. Member contributions include direct payments by members to reestablish service credit, purchase Oklahoma service, out-of-state or military service, and payments required to qualify for the Education Employees Service Incentive Plan (EESIP).

Contributions from local employers, the state of Oklahoma, and federal sources for fiscal year 2016 totaled \$705.2 million, compared to \$725.4 million for fiscal year 2016. Contributions from local school districts and federal revenues decreased by \$6.5 million as the state's contribution decreased by \$10.9 million.

A properly funded pension plan continues to be the Board's most significant challenge. As of June 30, 2017, 70.1% of the System's actuarial liabilities were covered by the net position of the Plan. This is an increase from the 62.2% funded ratio reported for June 30, 2016. The increase is due to the assumption changes as well as the significant gains on the market value of assets. Based upon the current statutory contribution schedule, the funding period is 17 years. This is a three year decrease from the 20 year funding period in 2016.

Accounting Standard Changes

A major change that occurred in fiscal 2017 (FY 2017) was a result of TRS implementing Governmental Accounting Standards Board (GASB) Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 74)." This statement requires separate presentation of the financial information related to Other Post-Employment Benefits (OPEB). TRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month provided the member has ten (10) years of Oklahoma service prior to retirement. The medical supplement is presented in the financial statements as the OPEB Plan.

Expenses

The System's expenses are attributable to making retirement benefit payments including health insurance subsidies, death and survivor benefits, refunds of member contributions and administrative expenses. During fiscal year 2017, the System paid \$54.8 million more in retirement, survivor and insurance benefits than in the preceding year, \$4.8 million more in refunds to active clients who terminated accounts, and \$31 thousand less in distributions from the Systems 403(b) Tax Sheltered Annuity Plan. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members and the average benefit payments. The increase in refunds and death benefits is due to an increase in the number of members making withdrawals from the defined benefit plan. Administrative expenses decreased \$403 thousand primarily due to a decrease in payroll costs associated with position vacancies throughout the year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Oklahoma for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This is the twenty-fourth consecutive year the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the System must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

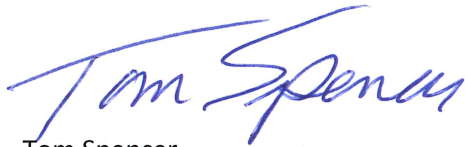
In addition to the award for the CAFR the System was awarded its second consecutive Certificate of Achievement for the Popular Annual Finances Report (PAFR). The purpose of this report is to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

This report reflects the combined efforts of the System's staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and as a means for determining responsible stewardship of the assets contributed by the members and their employers.

Notice is being mailed to the Governor, members of the Oklahoma Legislature, and the Oklahoma State Pension Commission that the CAFR is available on our website at www.ok.gov/TRS.

We would like to take this opportunity to express our gratitude to you, the staff, the advisors, and other people who have worked so diligently to assure the continued successful operation of the Teachers' Retirement System of Oklahoma.

Respectfully submitted,



Tom Spencer
Executive Director



Sam Moore, CPA
Chief Financial Officer

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

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BOARD OF TRUSTEES

Dr. Gary Trennepohl, Chairman

Mr. Vernon Florence, Vice-Chairman

Ms. Judie M. Harris, Secretary

Ms. Elaine Dodd, (Nonvoting)

Mr. Roger Gaddis, CPA/CFP

Ms. Jill Geiger, Designee of the Director of OMES

Ms. Christa Hughes

Ms. Shareé Madsen

Mr. David Kinney, Designee of the State Superintendent of Public Instruction

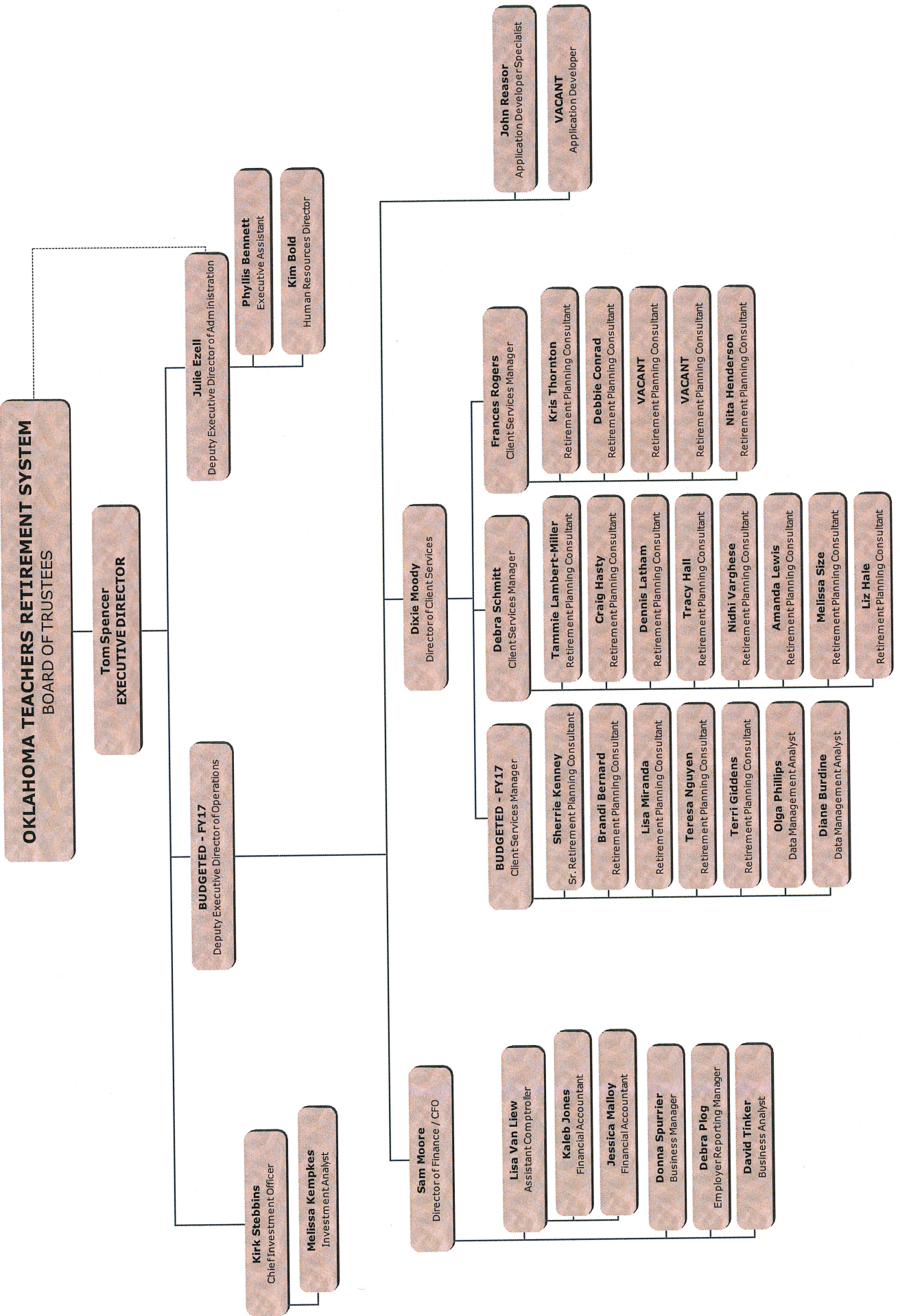
Mr. Kevin Moore

Dr. Myron Pope

Mr. William L. "Bill" Peacher

Dr. Gregory Z. Winters, Designee of the Director of the State Department of Career Tech

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Professional Consultants

Tax Consultant

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Indianapolis, IN 46282

Actuary

Gabriel, Roeder, Smith & Company
5605 N. MacArthur
Suite 870
Irving, TX 75038-2631

External Auditor

Eide Bailly
877 West Main Street
Suite 800
Boise, ID 83702-5838

Internal Auditor

Stinnett & Associates
825 N. Broadway Avenue
Oklahoma City, OK 73102

Investment Consultants

AndCo Consulting
624 South Boston Avenue
Suite 735
Tulsa, OK 74119

Investment Custodian

Northern Trust Corporation
50 South La Salle Street
Chicago, IL 60603

The schedule of Investment Expenses and Professional Consultant Fees in the Other Supplementary Information Section and the Schedule of Investment Fees (pgs.71-72) & Broker Commissions (pgs. 76-85) in the Investment Section contain additional information regarding professional advisors and consultants.



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Plan Summary 2016-2017

BEGINNINGS

The Teachers' Retirement System of Oklahoma (the System) was established July 1, 1943, to provide retirement allowances and other specified benefits for qualified employees of state-supported educational institutions.

ADMINISTRATION

A 14-member Board of Trustees oversees the administration of the System and acts as fiduciary for investing its funds.

CONTRIBUTIONS

As a member of the System, your contribution rate is 7% of your total compensation (salary and your fringe benefits).

Statutes also require employers to contribute a percentage of applicable employee earnings. The employer contribution rate for K-12 school districts, career-techs, and junior colleges is 9.5%. The employer contribution rate for comprehensive universities (University of Oklahoma and Oklahoma State University and their entities) and the state's four-year regional universities is 8.55%.

MEMBERSHIP

Oklahoma statutes require classified personnel to be members of the System. The definition of classified personnel in 70 O.S. § 17-101 includes teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and agencies. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

Employees of a charter school may join the System if the Teachers Retirement System Board of Trustees approves the school's application for membership.

New employees at the University of Oklahoma, OU Health Sciences Center, and Oklahoma State University have the option to participate in an alternate retirement plan provided by the universities. Employees choosing the alternate retirement plan are not eligible to participate in the System as long as they remain employees of the universities.

SERVICE CREDIT

Service credit of up to 1 year is earned for every year of full-time employment. Fractional service is earned for periods of employment that are less than 8 months or for part-time employment. Members may purchase credit for out-of-state service, military service, service with certain Oklahoma governmental entities, and employment in Oklahoma schools before your date of membership.

Retiring members may count up to 120 days of unused accumulated sick leave toward an additional year of service credit. Unused sick leave of less than 120 days is granted a fractional year of service credit.

RETIREMENT ANNUITY

Members are fully vested after five years of contributory Oklahoma membership service and may choose to take an early, reduced retirement benefit, or stay to qualify for a regular, unreduced retirement benefit. Those who become members on or after November 1, 2017 will require seven years of service to vest. A vested client is eligible to receive a retirement benefit when one of the following requirements is met:

Age 62 or Combination 80. Those who joined the System prior to 7/1/92 may retire with an unreduced benefit at age 62 or when the

client's age and years of creditable service total 80 points. The highest three salaries are used in the calculation of the benefit. A reduced annuity is available at the minimum age of 55.

Age 62 or Combination 90. Those who joined the System after 7/1/92 and before 11/1/11 may retire with unreduced benefits at age 62 or when the client's age and years of creditable service total 90 points. Those who qualify under Combination 90 use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula. A reduced annuity is available at the minimum age of 55.

Age 65 or Combination 90 at Age 60. Those who joined the System on or after 11/1/11 may retire with an unreduced benefit at age 65 or when the client's age is at least 60 and years of creditable service total at least 90 points. Those who qualify under this rule use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula. A reduced annuity is available at the minimum age of 60.

The Teacher's Retirement System of Oklahoma is a governmental defined benefit plan under Section 401(a) of the Internal Revenue Code. The retirement benefits paid to our members are not determined by the market value of their retirement account, but rather by a formula. The formula includes years of service and highest average salary multiplied by a 2% computation factor.

The final average salary is not limited to the highest average salary defined under the Rule of 80 (highest three salaries) or Rule of 90 (highest five consecutive salaries), but may include any years previously capped.

The Education Employees Service Incentive Plan (EESIP) provides the opportunity for capped years to be diminished by two years for every one year worked beyond the full retirement eligibility date. If salaries earned prior to July 1, 1995 are greater than \$40,000, there will be a cost to participate in EESIP. Clients retiring from a four year university, college or other related entity are not eligible to participate in this plan.

If a member works for a comprehensive university (OU/OSU) or other associated entity, the retirement benefit calculation may involve a multi-step process. First, the capped average salary prior to July 1, 1995 is determined. Next the capped average salary between July 1, 1995 and June 30, 2007 is determined. Finally, years of service that did not meet the caps as well as service credit earned after July 1, 2007, will be incorporated into the retirement benefit formula using the highest average of actual total compensation, not to exceed the IRS compensation limits. There may be as few as one average salary or as many as four weighted averages to determine the final average salary used in the final benefit calculation.

Each of the Systems' five retirement options provides a lifetime benefit to the member. After the member's death, the designated beneficiary(ies) receive either a lump-sum payment or continued payments to one beneficiary, depending upon the elected option's provisions.

DISABILITY BENEFITS

Members may qualify for disability retirement benefits if a medical condition keeps them from performing their regular job duties. A member may be considered for a disability retirement benefit if he or she is active and has at least 10 years of contributory service, a disability retirement application detailing the medical condition (which must have existed while employed by the public schools of Oklahoma)

If a member is awarded Social Security Disability benefits, the member may receive disability benefits with the System if the disability is incurred while employed by the public schools and the System is provided with proof of the Social Security award.

If members have at least 10 years of creditable service and retire or terminate employment, they may elect to continue coverage in the insurance program the employer provides to active employees.

Dependent and dental coverage is available if the member is enrolled in the State and Education Employees Group Health and Dental Insurance Plan.

If members have fewer than 10 years of employment, they have certain rights under federal law to continue health insurance coverage after employment ends. Specific information about continued coverage may be requested from the employer or the Employees Group Insurance Division of the Office of Management and Enterprises Services before termination.

SURVIVOR BENEFITS

Members' designated beneficiaries or estates are entitled to survivor benefits if the members are active in-service or retired at the time of their death.

When an inactive member dies, the beneficiaries receive the amount of the contributions in the member's account, plus interest on those contributions, but will not qualify for the \$18,000 death benefit or the monthly retirement benefit payment payable to the surviving beneficiary of active in-service members.

WITHDRAWING CONTRIBUTIONS

If a member returns to qualifying employment, the amount of the withdrawal may be redeposited after contributing to the System for 12 months.

If the member redeposits, the entire amount withdrawn must be repaid to the System. In addition, 10% simple interest must be redeposited on the withdrawn amount for each year the account was withdrawn. This amount may be paid in one lump sum or through installment payments for up to 60 months.

If a member continues to work for the employer after terminating membership, the member can rejoin the System only under special provisions of an Internal Revenue Service private letter ruling requiring a period of non-membership and loss of the right to redeposit withdrawn service or purchase prior service credits. In this case, the member would become a new member as of the date he or she resumes making contributions to the System.

A member may also leave the contributions in his or her account. If a member is vested (have at least five or seven years of Oklahoma service), the account will continue earning interest until the member withdraws it or begins drawing a retirement benefit. If a member is not vested, the account will continue earning interest for five years, unless withdrawn it before then.

The System sponsors a tax sheltered annuity program qualified under § 403(b) of the Internal Revenue Code. A member may deposit funds into this plan if the member's local Board of Education or other governing board adopts a resolution making the plan available to its employees.

Under the new plan, participants may access their accounts 24 hours a day by phone or the internet. Customer service representatives are available each weekday from 7:00 am to 8:00 pm. The investments are flexible and diversified with fifteen options to choose from.

The plan has the comprehensive educational strategy developed by Voya and a dedicated representative from Voya is available to meet with a participant at least annually to discuss retirement goals and needs.

Teachers' Retirement System of Oklahoma publications provide answers to general questions. A member is responsible for resolving any questions about his or her retirement account. Members are entitled to counseling from the staff concerning any questions they have about their retirement account. The System will not be held accountable for information that is contrary to statutes or administrative rules, regardless of who provides that information.

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Phone Numbers
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877-738-6365 (Toll Free)

This Plan Summary provides general information summarizing the basic benefits available to members of the System. If conflict arises between information contained in this summary and state statutes or official Teachers' Retirement System of Oklahoma rules, the law and/or rule takes precedence.

Teachers' Retirement System of Oklahoma



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Oklahoma Teachers Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA



Financial Section



Independent Auditor's Report

To the Board of Trustees
Teachers' Retirement System of Oklahoma
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Teachers' Retirement System of Oklahoma (the System), a component unit of the state of Oklahoma, which is comprised of the statement of fiduciary net position as of June 30, 2017, and the related statement of changes in fiduciary net position, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of fiduciary net position of the Teachers' Retirement System of Oklahoma, as of June 30, 2017, and the respective changes in changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the System has adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which has resulted in a separate presentation of the balances and activities to the OPEB Plan as well as expanded disclosures.

Alternative Investments

As discussed in Notes 2 and 3 to the financial statements, total system investments include investments valued at \$2,478,336,160 (14.1% of total assets), as of June 30, 2017, whose fair values have been estimated by management in the absence of readily determinable values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as referenced within the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The additional supplementary information accompanying financial information listed as other supplementary information, as referenced within the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Eide Bailly LLP

October 20, 2017
Oklahoma City, Oklahoma

**Management's Discussion and Analysis
Teachers' Retirement System of Oklahoma
June 30, 2017 and 2016**

Management is pleased to present this discussion and analysis of the financial activities of the Teachers' Retirement System of Oklahoma ("TRS" or the "System") for the years ended June 30, 2017 and 2016. The System is responsible for administering retirement benefits for the following plans: an Internal Revenue (IRC) section 401(a) defined benefit plan and an IRC Section 401(h) medical supplement, (OPEB Plan) defined benefit plan. The 401(a) Plan is available for all educational employees of the state of Oklahoma. The 401(h) Plan is available for all eligible members. Finally the 403(b) defined contribution plan is a voluntary tax-advantaged retirement savings plan available to all educational employees of the State.

The System was established on July 1, 1943, for the purpose of providing these retirement benefits and other specific benefits for qualified persons employed by public educational institutions. The main purpose of the System is to provide a primary source of lifetime retirement benefits relative to years of service at the time of retirement. It is the objective of the System to provide these benefits in a prudent, responsible, and cost-effective manner. Plan net assets are used to pay current and future benefits to retired clients.

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. TRS's basic financial statements are comprised of three components: 1) *statement of fiduciary net position*, 2) *statement of changes in fiduciary net position*, and 3) *notes to the financial statements*. This report also contains *required supplementary information and other supplementary information* in addition to the basic financial statements themselves.

The *statement of fiduciary net position* presents information on all of the System's assets, liabilities, with the difference between these reported as *net position restricted for pensions and OPEB*. Over time, increases or decreases in plan net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. Information relating to the System's ability to meet the cost of future benefit payments is not shown on the *statement of fiduciary net position* but is located in both the *notes to the financial statements* and the *required supplementary information*.

The *statement of changes in fiduciary net position* presents information showing how the System's net position changed during the most recent fiscal year. Changes in net position are recognized using the accrual basis of accounting, in which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

The *notes to the financial statements* are critical to the reader's understanding of the financial status of the System. These notes include a description of the System, details on the cash and investments of the System, as well as contribution and benefit information.

The *required supplementary information (RSI)* presents various required schedules for pensions and OPEB. Other supplementary information includes the Schedule of Administrative Expenses, the Schedule of Investment Expenses, and the Schedule of Professional/Consultants Fees. These schedules provide additional analysis of the information provided in the financial statements.

**Management's Discussion and Analysis
Teachers' Retirement System of Oklahoma
June 30, 2017 and 2016**

The following are condensed schedules of financial information about the Plans in the System for the years ended June 30, 2017 and 2016 and the results of the years then ended:

Condensed Financial Information

Fiduciary net position as of June 30:

	OPEB Plan	401(a) Plan	403(b) Plan	System Total		2017
				2017	2016 *	% Change
Assets						
Cash	\$ -	\$ 6,982,258	\$ -	\$ 6,982,258	\$ 19,857,301	-64.8%
Receivables	5,722,604	229,174,282	-	234,896,886	389,393,726	-39.7%
Long- and short-term investments, at fair value	474,612,559	14,974,759,390	174,463,992	15,623,835,941	14,058,889,353	11.1%
Capital assets, net	131,425	4,161,879	-	4,293,304	4,072,745	5.4%
Total investments and other assets	480,466,588	15,215,077,809	174,463,992	15,870,008,389	14,472,213,125	9.7%
Securities lending institutional daily assets fund	52,039,348	1,647,945,451	-	1,699,984,799	1,624,015,378	4.7%
Total assets	532,505,936	16,863,023,260	174,463,992	17,569,993,188	16,096,228,503	9.2%
Liabilities						
Investment settlements and other liabilities	7,108,368	225,102,733	-	232,211,101	478,182,808	-51.4%
Payable under securities lending agreement	52,039,348	1,647,945,451	-	1,699,984,799	1,624,015,378	4.7%
Total liabilities	59,147,716	1,873,048,184	-	1,932,195,900	2,102,198,186	-8.1%
Net Position						
Net position restricted for pensions and OPEB	\$ 473,358,220	\$ 14,989,975,076	\$ 174,463,992	\$ 15,637,797,288	\$ 13,994,030,317	11.8%

* Prior year column has not been restated for the effect of the adoption of GASB Statement No. 74

**Management's Discussion and Analysis
Teachers' Retirement System of Oklahoma
June 30, 2017 and 2016**

Changes in fiduciary net position for the year ended June 30:

	OPEB Plan	401(a) Plan	403(b) Plan	System Total		2017
				2017	2016 *	% Change
Additions:						
Member contributions	\$ -	\$ 292,949,337	\$ -	\$ 292,949,337	\$ 294,459,091	-0.5%
Employer contributions	6,513,158	396,743,812	-	403,256,970	409,753,221	-1.6%
Matching contributions	-	23,027,846	-	23,027,846	25,787,244	-10.7%
Dedicated tax revenue	-	278,924,055	-	278,924,055	289,884,752	-3.8%
Member tax shelter contributions	-	-	2,548,206	2,548,206	2,222,812	14.6%
Net investment income gain (loss)	62,027,961	1,937,463,392	11,750,940	2,011,242,293	(362,477,638)	-654.9%
Security lending net income	270,066	8,435,583	-	8,705,649	7,870,757	10.6%
Total additions	68,811,185	2,937,544,025	14,299,146	3,020,654,356	667,500,239	352.5%
Deductions:						
Benefit payments	30,309,127	1,281,816,606	-	1,312,125,733	1,257,276,705	4.4%
Refund of member contributions and other payments	-	40,944,298	19,762,817	60,707,115	55,841,270	8.7%
Administrative expenses	26,457	4,028,080	-	4,054,537	4,458,338	-9.1%
Total deductions	30,335,584	1,326,788,984	19,762,817	1,376,887,385	1,317,576,313	4.5%
Net increase (decrease) in net position	38,475,601	1,610,755,041	(5,463,671)	1,643,766,971	(650,076,074)	-352.9%
Net Position Restricted for Pensions and OPEB						
Beginning of year as restated	434,882,619	13,379,220,035	179,927,663	13,994,030,317	14,644,106,391	-4.4%
End of year	\$ 473,358,220	\$ 14,989,975,076	\$ 174,463,992	\$ 15,637,797,288	\$ 13,994,030,317	11.7%

* Prior year column has not been restated for the effect
of the adoption of GASB Statement No. 74

**Management's Discussion and Analysis
Teachers' Retirement System of Oklahoma
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Financial Highlights and Analysis

A major change that occurred in fiscal 2017 (FY2017) was a result of TRS implementing Governmental Accounting Standards Board (GASB) Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 74)." This statement requires separate presentation of the financial information related to Other Post-Employment Benefits (OPEB). TRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month provided the member has ten (10) years of Oklahoma service prior to retirement. The medical supplement is presented in the financial statements as the OPEB Plan.

As a whole, the increase in net position of TRS was due to investment gains as a result of a significant rebound in equity markets during the System's FY2017. Every significant domestic equity index was up by double digit returns. Every significant international equity index was in positive territory. Fixed income was a different story with only the high yield index showing similar impressive returns. For the System specifically, equities led the way with a composite return of 21.63%. The fixed income composite returned a modest 3.8%. The real estate composite returns came in at 7.33%. The total investment returns for the System in FY2017 were an impressive 15.3%.

	OPEB Plan 2017	401(a) Plan 2017	403(b) Plan 2017	System Totals	
				2017	2016
Plan net position	\$ 473,358,220	\$ 14,989,975,076	\$ 174,463,992	\$ 15,637,797,288	\$ 13,994,030,317
Yearly % change	8.8%	12.0%	-3.0%	11.7%	-4.4%

The total investment return for the five year period of 11.0 percent is above the 7.5 percent actuarial assumed rate of investment return. The five year return is higher than the previous year due to strong returns for FY2017.

<u>Total Returns</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
2017	15.3%	5.4%	11.0%	6.8%
2016	-2.0%	7.5%	8.3%	7.1%
2015	3.5%	14.3%	13.4%	8.3%

Benefit payments increased 4.4 percent in FY2017 compared to FY2016. The increase is a result of a 2.8 percent increase in the number of benefit recipients and a 1.9 percent increase in the average monthly benefit. Benefit payments in FY2017 to retired members exceeded contributions from contributing members and employers by \$375 million, or a ratio of 1.38 to 1. A ratio of more than one signifies that the System is receiving less contributions than it pays out in benefits. In a mature pension system like TRS a significant percentage of the benefits is paid out of investment earnings that are not reflected in this ratio. The table on the following page reflects the ongoing employer and member contributions.

**Management's Discussion and Analysis
Teachers' Retirement System of Oklahoma
June 30, 2017 and 2016**

Financial Highlights and Analysis (Continued)

	OPEB Plan 2017	401(a) Plan 2017	403(b) Plan 2017	System Totals	
				2017	2016
Member contributions	\$ -	\$ 292,949,337	\$ -	\$ 292,949,337	\$ 294,459,091
Employer contributions	6,513,158	396,743,812	-	403,256,970	409,753,221
State matching funds	-	23,027,846	-	23,027,846	25,787,244
Dedicated tax revenue	-	278,924,055	-	278,924,055	289,884,752
Total contributions	\$ 6,513,158	\$ 991,645,050	\$ -	\$ 998,158,208	\$ 1,019,884,308
Benefit payments	\$ 30,309,127	\$ 1,281,816,606	\$ -	\$ 1,312,125,733	\$ 1,257,276,705
Refund of contributions	-	40,944,298	19,762,817	60,707,115	55,841,270
Total payments	\$ 30,309,127	\$ 1,322,760,904	\$ 19,762,817	\$ 1,372,832,848	\$ 1,313,117,975

The number of benefit recipients increased 2.8 percent in FY2017 as compared to 3.0 percent in FY2016. This is comparable to FY2016. There was a net increase of 1,711 and 1,751 members that entered retirement for fiscal year 2017 and fiscal year 2016, respectively.

	OPEB Plan 2017	401(a) Plan 2017	401(a) Plan 2016
Benefit recipients	56,901	62,391	60,680
Yearly % change	N/A	2.80%	3.00%
Net increase	N/A	1,711	1,751

The following table reflects the average monthly benefit for service retirements. While the table above reflects an increase in the number of retirees in the past year of 2.8 percent the table below reflects the average benefit per retiree has only increased by 1.9 percent in FY2017 as compared to FY2016. The increase in benefit recipients was .9 percent higher than the increase in average benefit payment below.

	2017	2016
Average benefit	\$ 1,681	\$ 1,650
Yearly % change	1.9%	1.4%

The ratio of active members to retired members of the System is 1.41 to 1 in FY2017, compared to 1.49 to 1 in FY2016. This change is caused by the longevity of the System's retiree population and an active population that has decreased due to a statewide teacher shortage. Contributing members decreased by 2,372 while benefit recipients increased by 1,711.

	401(a) Plan 2017	2016
Members contributing	87,795	90,167
Yearly % change	-2.6%	-0.2%
Benefit recipients	62,391	60,680
Yearly % change	2.80%	3.00%
Ratio contributing/retired	1.41	1.49

**Management's Discussion and Analysis
Teachers' Retirement System of Oklahoma
June 30, 2017 and 2016**

Financial Highlights and Analysis (Continued)

The change in FY17 is attributable to the transfer of the OPEB liability to the OPEB Plan. The OPEB plan resulted in a funded ratio of 110.4 percent and the 401(a) plan resulted in a 69.32 percent funded ratio.

	OPEB Plan 2017	401(a) Plan 2017	2016
Total pension liability	\$ -	\$ 21,625,384,047	\$ 22,193,244,472
Total OPEB liability	428,764,003	-	-
Fiduciary net position -Pensions or similar	473,358,220	14,989,675,076	13,814,102,654
Employers' net pension liability	-	6,635,408,971	8,379,141,818
Employers' net OPEB asset	(44,594,217)	-	-
Ratio of Employers' fiduciary net position to applicable liabilities	110.40%	69.32%	62.24%

Under GASB Statement 67 this 401(a) Plan ratio represents the Total Pension Liability compared to the Plan's total net position at fair value. Prior to GASB Statement 67 this ratio was calculated using the actuarial value of the Plan's net position. Under GASB Statement 74 this OPEB Plan ratio represents the Total OPEB Liability compared to the Plan's total net position at fair value.

Based on the market value of assets at the end of FY2017, and the projected continuation of contribution rates and other revenue, the System's actuary projects a "funding period" of 17 years. If all assumptions hold constant the System would reach a 100% funded ratio based on the market value of assets in 17 years even with a 7.5% return assumption. If the actuarial value of assets is used with a 7.5% return assumption, the funding period would also be 17 years.

The most significant change to the Investment Policy during fiscal year 2017 reflected the results of an asset allocation review. The Board adopted a few modest adjustments to the target asset allocation resulting in a small increase in real estate and international equities and a small decrease in MLPs and domestic equities. They were not significant from a financial risk or accounting standpoint.

As discussed in Note 10, the 2017 legislative session passed HB 1162 which changed the number of years to "vest" and become eligible for a TRS pension from five (5) to seven (7) for members who become a member after November 1, 2017.

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director of the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152 or (405) 521-2387.

Teachers' Retirement System of Oklahoma

Statements of Fiduciary Net Position
June 30, 2017

	OPEB Plan	401(a) Plan	403(b) Plan	Totals June 30, 2017
Assets				
Cash	\$ -	\$ 6,982,258	\$ -	\$ 6,982,258
Short-term investments	8,863,945	280,697,169	-	289,561,114
Accrued interest and dividends receivable	1,720,642	54,488,077	-	56,208,719
Member contributions receivable	-	16,406,022	-	16,406,022
Employer contributions receivable	792,734	25,103,741	-	25,896,475
Receivable from the State of Oklahoma	-	31,548,869	-	31,548,869
Due from brokers for securities sold	3,209,228	101,627,573	-	104,836,801
Security lending institutional daily assets fund	52,039,348	1,647,945,451	-	1,699,984,799
Long-term investments:				
Mutual funds	-	-	174,463,992	174,463,992
U.S. government securities	45,913,029	1,448,524,700	-	1,494,437,729
U.S. corporate bonds	45,263,282	1,427,932,483	-	1,473,195,765
International corporate bonds and government securities	12,872,319	406,115,282	-	418,987,601
Equity securities	292,378,598	9,224,449,045	-	9,516,827,643
Private equity	34,868,336	1,100,071,124	-	1,134,939,460
Real estate	34,453,050	1,086,969,587	-	1,121,422,637
Total long-term investments	465,748,614	14,694,062,221	174,463,992	15,334,274,827
Capital assets, net	131,425	4,161,879	-	4,293,304
Total assets	\$ 532,505,936	\$ 16,863,023,260	\$ 174,463,992	\$ 17,569,993,188
Liabilities				
Due to brokers for securities purchased	6,716,245	212,685,332	-	219,401,577
Payable under security lending agreement	52,039,348	1,647,945,451	-	1,699,984,799
Other liabilities	392,123	12,417,401	-	12,809,524
Total liabilities	\$ 59,147,716	\$ 1,873,048,184	\$ -	\$ 1,932,195,900
Net Position				
Net position restricted for pensions and OPEB	\$ 473,358,220	\$ 14,989,975,076	\$ 174,463,992	\$ 15,637,797,288

See Notes to Financial Statements.

Teachers' Retirement System of Oklahoma

**Statements of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017**

	OPEB Plan	401(a) Plan	403(b) Plan	Totals Year Ended June 30, 2017
Additions:				
Members	\$ -	\$ 292,949,337	\$ -	\$ 292,949,337
Contributions to 403(b) plan	-	-	2,548,206	2,548,206
Employer statutory requirement from local school districts	6,513,158	396,743,812	-	403,256,970
State matching funds	-	23,027,846	-	23,027,846
Dedicated tax	-	278,924,055	-	278,924,055
Total contributions	6,513,158	991,645,050	2,548,206	1,000,706,414
Investment income:				
Interest and dividends	11,857,137	370,361,487	7,734,517	389,953,141
Net appreciation (depreciation) in fair value of investments	52,276,327	1,632,867,941	4,016,423	1,689,160,691
Investment expenses	(2,105,503)	(65,766,036)	-	(67,871,539)
Gain from investing activities	62,027,961	1,937,463,392	11,750,940	2,011,242,293
Income from securities lending activities:				
Securities lending income	300,073	9,372,870	-	9,672,943
Securities lending expenses: Management fees	(30,007)	(937,287)	-	(967,294)
Net income from securities lending activities	270,066	8,435,583	-	8,705,649
Net investment gain	62,298,027	1,945,898,975	11,750,940	2,019,947,942
Total additions	68,811,185	2,937,544,025	14,299,146	3,020,654,356
Deductions:				
Retirement, death, survivor and health benefits	30,309,127	1,281,816,606	-	1,312,125,733
Refund of member contributions and other payments	-	40,944,298	19,762,817	60,707,115
Administrative expenses	26,457	4,028,080	-	4,054,537
Total deductions	30,335,584	1,326,788,984	19,762,817	1,376,887,385
Net increase (decrease) in net position	38,475,601	1,610,755,041	(5,463,671)	1,643,766,971
Net position restricted for:				
Beginning of year - as restated in Note 2	434,882,619	13,379,220,035	179,927,663	13,994,030,317
End of year	\$ 473,358,220	\$ 14,989,975,076	\$ 174,463,992	\$ 15,637,797,288

See Notes to Financial Statements.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 1. Description of the System

The following brief description of the Teachers' Retirement System of Oklahoma (the "System" or "TRS") is provided for general information purposes only. The plan's benefits are established and amended by State Statute and participants should refer to Title 70 of the Oklahoma Statutes, 1991, Sections 17-101 through 121, as amended.

The System was established as of July 1, 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the state of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the state of Oklahoma (the "State"). The System administers a cost-sharing multiple-employer pension plan which is a defined benefit pension plan ("DB Plan"), a cost-sharing multiple-employer benefit plan other than pensions ("OPEB Plan") as well as a tax-deferred defined contribution plan ("DC Plan").

The supervisory authority for the management and operation of the System is a 14-member board of trustees, whose members act as fiduciaries for investment of the funds and the application of plan interpretations. The board of trustees is comprised of six appointees from the Governor's Office, two appointees by the Senate Pro Tempore, two appointees by the House Speaker, three Ex Officio position, and one non-voting member representing Retired Professional Oklahoma Educators. Out of the six appointees from the Governor's Office, one must be a Higher Education representative, one is a non-classified optional personnel, and the remaining four must work in the public or private funds management, banking, law or accounting field. Out of the two Senate Pro Tempore's as well as the House Speaker's appointees, one must be an active classroom teacher while the other be a retired member of Teachers' Retirement. The Ex Officio trustees are the State Superintendent of Public Instruction, the Office of Management and Enterprise Services Director and the Career-Tech Director or their designee.

DB Plan: Oklahoma teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and employees of agencies who are employed at least half-time must join the System's DB Plan. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week. Employees of Oklahoma's two (2) comprehensive universities have options to participate in TRS or optional Plans administered by each university. There are 605 contributing employers in the System. The DB Plan's membership consisted of the following as of June 30, 2017:

Pension

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	62,391
Inactive Plan Members Entitled to But Not Yet Receiving Benefits*	11,796
Active Plan Members	87,795
	<u>161,982</u>

* Does not include 13,070 of non-vested terminated members entitled to a refund of their member contributions.

OPEB Plan: TRS will pay a monthly health insurance premium supplement for each retired member who is enrolled in the health insurance plan provided by the State and Education Employees Group Health and Dental Insurance plan or in an insurance program provided by a participating education employer who provides health insurance coverage to former employees, provided the retired member had at least ten (10) years of Oklahoma service prior to retirement. The supplement paid by TRS shall be the premium rate of the Medicare supplement charged to the retired employees not to exceed an amount between \$100 and \$105, depending on length of service and the final average salary of the retired member.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 1. Description of the System (Continued)

OPEB Plan: The OPEB Plan's membership consisted of the following as June 30, 2017:

OPEB

Inactive Plan Members or Beneficiaries Currently Eligible to Receive Benefits	56,901
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	4,974
Active Plan Members	87,795
Total Plan Members	<u>149,670</u>

DC Plan: Members are also offered a tax-deferred defined contribution plan qualified under the Internal Revenue Code ("IRC") Section 403(b). The DC Plan is also referred to by the System as the Tax-Sheltered Annuity Plan. Membership in the DC Plan is voluntary, and investments primarily consist of mutual funds and are participant directed. Voya, a service provider, is responsible for administrative services, including custody and record keeping services.

The DC Plan had approximately 3,221 participants as of June 30, 2017. Contributions are voluntary and require a minimum of \$200 per year. The maximum deferral amount is the lesser of 100 percent of the participant's compensation or the maximum amount allowed by the IRC, currently \$18,000. Participants age 50 and older may contribute an additional \$6,000 if they qualify for the catch up provision.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The System has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America and using the economic resources measurement focus. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by Oklahoma Statutes as a percentage of salaries and are recognized when due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Oklahoma Statutes. Administrative expenses are funded through investment earnings.

Budgetary control: The System prepares and submits an annual budget of operating expenses on the cash basis for monitoring and reporting to the Office of Management and Enterprise Services. The System's budget process follows the budget cycle for State operations as outlined by the Office of Management and Enterprise Services.

The Executive Director may approve changes within the budget, but a change to the total budget must be handled according to the provision of Title 62 O.S. Sec. 41.12 of the Oklahoma Statutes.

Investments: The System is authorized to invest in eligible investments as approved by the Board of Trustees as set forth in the System's investment policy. The Board reviews and updates the plan investment policy at least annually, making changes as deemed necessary to achieve policy goals. An investment policy change can be made at any time during the year at the discretion of the Board.

System investments are reported at fair value within the hierarchy established by generally accepted accounting principles, most recently by Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The short-term investment fund is comprised primarily of investments in a money market fund, which are reported at cost, which approximates fair value. Debt and equity securities are reported at fair value, as determined by the System's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The System also invests as a limited partner in alternative investments. These investments employ specific strategies such as leverage buyouts, venture capital, growth capital, distressed investments, and mezzanine capital. The strategies of all such funds are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Alternative investment partnerships are valued using their respective net asset value (NAV) and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors and consultation with valuation specialists. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

The System's opportunistic real estate investments are primarily through limited partnerships. Properties owned by the partnership are subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice every three years. The System's real estate investments are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Limited partner interests are valued by the System using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually, and may be periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment. The System evaluates investments in conjunction with their custodial bank and investment managers for impairment whenever events or changes in circumstances indicate that the carrying or fair value of the asset may not be recoverable. Should investments be deemed permanently impaired, the carrying or fair value is adjusted to the impaired value with an adjustment to investment income.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, investment income from foreign currency translation gains and losses, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs.

International investment managers use forward foreign exchange contracts to enhance returns or to control volatility. Currency risks arise due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counter-parties. The System could incur a loss if its counter-parties failed to perform pursuant to the terms of their contractual obligations. The gains and losses on these contracts are included in the income in the period in which the exchange rates change. See Note 3 for additional information regarding investment derivatives as of June 30, 2017.

The System's investment policy provides for investment diversification of stocks, bonds, fixed income securities, real estate, alternative investments, and other investment securities along with investment in commingled or mutual funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate, market, and credit risks.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and those changes could materially affect the amounts reported in the statements of fiduciary net position.

At June 30, 2017, the asset allocation guidelines established by the Board's investment policy were:

<u>Category</u>	<u>Allocation</u>
Domestic Equity	38.5%
International Equity	19.0%
Fixed Income	23.5%
Private Equity	9.0%
Real Estate	5.0%
Master Limited Partnerships	<u>5.0%</u>
Total	<u>100.0%</u>

Capital assets: Capital assets are stated at cost when acquired, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years.

Risks and uncertainties: Contributions to the System and the actuarial information included in Note 11 and the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, employee compensation, and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Income taxes: The System is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service (the "IRS") under Internal Revenue Code (the "IRC") Section 401(a). The System's 403(b) Plan is also tax-exempt and has received a private letter ruling from the IRS.

Compensated absences: It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability. Amounts due to the employees for compensated absences were approximately \$205,000 at June 30, 2017.

Plan termination: In the event the System terminates, the board of trustees will distribute the net position of the System to provide the following benefits in the order indicated:

Accumulated contributions will be allocated to each respective member, former member, retired member, joint annuitant, or beneficiary then receiving payments.

The balance of such assets, if any, will be allocated to each member then having an interest in the System based upon the excess of their retirement income under the System less the retirement income, which is equal to the actuarial equivalent of the amount allocated to them in accordance with the preceding paragraph in the following order:

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

- Those retired members, joint annuitants, or beneficiaries receiving payments
- Those members eligible to retire
- Those members eligible for early retirement
- Former members electing to receive a vested benefit
- All other members

Use of estimates: The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires the System's management to make significant estimates and assumptions. Management of the System has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles (GAAP), note disclosure and required supplementary information (RSI). Actual results could differ from these estimates.

New Accounting Pronouncements: During the current year the System adopted GASB Statement No. 74, *Financial reporting for Postemployment Benefit Plans Other Than Pension Plans* during the year ended June 30, 2017. This statement's objective is to improve the usefulness of information about postemployment benefits other than pensions presented in the financial statements.

As previously discussed, the System administers the OPEB plan in accordance with GASB Statement No. 74. As a result of the implementation of GASB Statement No. 74 on July 1, 2016, a beginning balance restatement occurred as follows:

	OPEB Plan	401(a) Plan	Combined
Net position restricted for pension/OPEB benefits as of June 30, 2016	\$ -	\$ 13,814,102,654	\$ 13,814,102,654
Adoption of GASB 74	434,882,619	(434,882,619)	-
Net position restricted for pension/OPEB benefits as of June 30, 2016	<u>\$ 434,882,619</u>	<u>\$ 13,379,220,035</u>	<u>\$ 13,814,102,654</u>

Note 3. Cash and Cash Investments

At June 30, 2017, the carrying amount of the System's bank deposits was approximately \$6,982,000. The bank balance of the System's bank deposits at June 30, 2017 was approximately (\$65,687,000). Bank balances were overdrawn due to benefit payments made at the end of June coupled with sales of investments in transit to negate the overdrawn position.

Custodial credit risk: Custodial credit risk is the risk that in the event of the failure of a counterparty, the System will not be able to recover the value of its bank deposits or investments. Bank deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. In relation to its bank deposits, the System is not considered to be exposed to custodial credit risk. Although the System does not have a formal bank deposit policy for custodial credit risk, the State Treasurer holds all of the System's bank deposits. As required by Oklahoma Statutes, all bank deposits held by the State Treasurer are insured by Federal Deposit Insurance Corporation, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations.

Fair Value Measurements – The System categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements) as follows:

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

- Level 1 Unadjusted quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured using the net asset value per share (NAV) (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The following table shows the fair value levels of the investments for the System as of June 30, 2017:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value level				
Mutual Funds		\$ 174,463,992	\$ 174,463,992	\$ -
	Total mutual funds	174,463,992	174,463,992	-
Fixed Income securities				
	Asset Backed Securities	165,685,271	-	145,983,796
	Bank Loans	15,963,090	-	15,963,090
	Commercial Mortgage-Backed	46,706,779	-	35,735,846
	Corporate Bonds	1,537,520,225	-	1,536,655,564
	Corporate Convertible Bonds	36,697,941	-	35,559,287
	Government Agencies	71,791,265	-	69,147,283
	Government Bonds	1,109,191,957	464,125,626	644,357,247
	Government Mortgage Backed Securities	264,840,152	-	259,547,235
	Gov't-issued Commercial Mortgage-Backed	20,246,590	-	18,226,933
	Index Linked Government Bonds	99,151,086	53,111,287	46,039,799
	Municipal/Provincial Bonds	10,745,273	-	10,745,273
	Non-Government Backed C.M.O.s	8,081,466	-	7,272,296
	Total fixed income securities	3,386,621,095	517,236,913	2,825,233,649
Equity securities				
	Common Stock	9,234,108,163	9,221,300,256	11,424,194
	Convertible Equity	2,285,997	-	2,285,997
	Funds - Common Stock	9,849,416	9,849,416	-
	Funds - Equities ETF	17,369,119	17,369,119	-
	Preferred Stock	31,216,815	31,216,815	-
	Rights/Warrants	22,293	18,705	3,320
	Other Securities	1,777	11	-
	Total equity securities	9,294,853,580	9,279,754,322	13,713,511
Total investments by fair value level		\$ 12,855,938,667	\$ 9,971,455,227	\$ 2,838,947,160
Investments measured at the net asset value (NAV)				
Alternative investments				
	Real Estate Investments	1,121,422,637		
	Private Equity Investments	1,134,939,460		
	Total alternative investments	2,256,362,097		
	Other Mutual Funds	221,974,063		
Total Investments measured at the NAV		2,478,336,160		
Total Investments measured at fair value and NAV		\$ 15,334,274,827		

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Equity, derivative securities, and governmental debt securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and debt derivative securities classified in Level 2 and Level 3 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Index linked debt securities are valued by multiplying the external market price feed by the applicable day's Index Ratio.

Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Level 3 debt securities use proprietary information or single source pricing. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities.

Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

Investments in Entities that Calculate Net Asset Value per Share

The System holds shares or interest in investment companies at where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The System's policy is to obtain an external appraisal a minimum of every year for properties or portfolios that the System has some degree of control or discretion. In practice, some investments are appraised annually. Appraisals are performed by an independent appraiser with preference for Member Appraisal Institute (MAI) designated appraisers. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

At year end, the NAV value, unfunded commitments, and redemption rules of those investments is as follows:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Investments	\$ 1,121,422,637	\$ 84,234,475	N/A	N/A
Private Equity investments	1,134,939,460	1,036,052,820	N/A	N/A
Other Mutual Funds	221,974,063		Daily	1 Day
Total investments measured at the NAV	<u>\$ 2,478,336,160</u>			

Real Estate Investments: This type includes 10 real estate funds that invest primarily in commercial real estate. The values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Private Equity Funds: This type includes 6 private equity funds that invest primarily in leveraged buyouts. The values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

Other Mutual Funds: This type includes investments in an open-end mutual fund that emphasizes broad diversification and consistent exposure to emerging market small company stocks. The value of the investment in this type has been determined using the NAV per share of the investment.

The System does not anticipate restrictions, other than those outlined in the table, on the ability to sell individual investments at the measurement date. Additionally, the System does not anticipate that NAV-driven investments will become redeemable at valuations materially different from the corresponding NAV listed above. The System has no prescribed time frame to liquidate the investments.

Custodial Credit Risk of Investments: Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk, it does limit the amount of cash equivalents and short-term investments to no more than 5 percent of each manager's portfolio. At June 30, 2017, the System had uninsured and uncollateralized deposits translated to approximately \$2,000,000 U.S. Dollars with its custodial agent.

Credit risk: Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The System's investment policy places limits on the amount of the fixed income portfolio that may be invested in bonds rated Ba1 or lower by Moody's or BB+ or lower by Standard & Poor's. Short-term investments include United States Treasury bills that mature in less than 90 days.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

The following table presents the System's fixed income securities subject to credit risk (amounts in thousands).

Investment Type	AAA	AA	A	BBB	BB	B	CCC
Asset backed securities	\$ 79,015	\$ 15,038	\$ 14,681	\$ 5,472	\$ 1,109		\$ 262
Bank loans					773	4,633	4,217
Commercial mortgage-backed	8,552	3,000	2,423	5,494	1,443	881	
Corporate bonds	2,612	11,005	134,334	459,020	498,122	322,112	56,238
Corporate convertible bonds				4,011	2,885	4,915	3,028
Government agencies	13,024	50,649		763		306	
Government bonds		5,557	14,385	4,073	3,957	7,792	
Government mortgage-backed securities							
Gov't-issued commercial mortgage-backed	64						
Index linked government bonds							
Municipal/Provincial bonds	1,348	5,085		818		2,219	
Non-government backed C.M.O.s		393					1,212
Sukuk				411			
Total fixed income	104,615	90,727	165,823	480,062	508,289	342,858	64,957
Short-term investments	-	-	-	-	-	-	-
	\$ 104,615	\$ 90,727	\$ 165,823	\$ 480,062	\$ 508,289	\$ 342,858	\$ 64,957

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Investment Type	CC	C	D	Not Rated	US Government Securities	Total
Asset backed securities				\$ 50,109		\$ 165,686
Bank loans			179	6,162		15,964
Commercial mortgage-backed				24,655	258	46,706
Corporate bonds	1,173	63	4,659	48,182		1,537,520
Corporate convertible bonds				21,858		36,697
Government agencies				2,644	4,406	71,792
Government bonds				41,001	1,032,427	1,109,192
Government mortgage-backed securities				9,377	255,463	264,840
Gov't-issued commercial mortgage-backed				4,304	15,879	20,247
Index linked government bonds					99,151	99,151
Municipal/Provincial bonds				864		10,334
Non-government backed C.M.O.s				6,476		8,081
Sukuk						411
Total fixed income	1,173	63	4,838	215,632	1,407,584	3,386,621
Short-term investments	-	-	-	-	43,896	43,896
	\$ 1,173	\$ 63	\$ 4,838	\$ 215,632	\$ 1,451,480	\$ 3,430,517

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration estimates the sensitivity of a bond's price to interest rate changes and makes assumptions regarding the most likely timing and amounts of variable cash flows arising from investments such as callable bonds, collateralized mortgage obligations, and other mortgage-backed securities. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the System's investment policy does not specifically address the duration of fixed-income securities, the System's management does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, 2017, the System had the following investments with maturities (dollars in thousands):

Investment Type	Fair Value	Effective Duration in Years
Asset-backed securities	\$ 165,071	1.0
Commercial mortgaged-backed	46,707	3.2
Corporate bonds	1,535,363	4.7
Corporate convertible bonds	35,009	3.6
Government agencies	71,791	6.4
Government bonds	1,109,192	13.7
Government mortgage-backed securities	263,899	4.4
Government issued commercial mortgaged-backed	20,247	3.0
Index linked government bonds	99,151	12.6
Municipal/Provincial bonds	7,732	8.2
Non-government backed CMOs	7,688	2.0
Sukuk	411	1.3
Other fixed income securities	24,360	9.7
Total fixed income	<u>\$ 3,386,621</u>	
Portfolio duration		<u>7.7</u>

Concentration of credit risk: Investments can be exposed to concentration of credit risk if significant amounts are invested in any one issuer. The System's investment policy places limits on the amount that may be invested in securities of any single issuer. As of June 30, 2017, the System did not hold 5% or more of its total investments in any one issuer.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Foreign currency risk: Foreign currency risk is the potential risk for loss due to changes in exchange rates. The System's investment policy provides that international investment managers invest no more than 30 percent of their portfolio's total assets in one or more issuers in a single country, provided that in the U.K. or Japan such limit shall be 35 percent. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2017 is shown in the following table by monetary unit to indicate possible foreign currency risk (dollars in thousands):

Currency	Equities	Corporate Bonds	Government Bonds	Foreign Exchange Contracts	Cash and Cash Equivalents	Grand Total
Argentine Peso	\$ -	\$ -	\$ 287	\$ -	\$ -	\$ 287
Australian Dollar	78,738	-	-	-	-	78,738
Brazilian Real	29,984	-	-	-	32	30,016
Canadian Dollar	102,140	-	-	(245)	302	102,197
Chilean Peso	208	-	-	-	-	208
Danish Krone	23,978	-	-	-	-	23,978
Euro	648,346	2,464	155	(12)	120	651,073
Hong Kong Dollar	160,193	-	-	(3)	42	160,232
Hungarian Forint	4,341	-	-	-	-	4,341
Indonesian Rupiah	17,610	-	-	-	1	17,611
Israeli Shekel	8,486	-	-	-	-	8,486
India Rupee	-	-	1,074	-	-	1,074
Japanese Yen	488,256	-	-	(513)	1,131	488,874
Malaysian Ringgit	10,061	-	-	-	-	10,061
Mexican Peso	7,832	5,581	21,550	88	(87)	34,964
New Taiwan Dollar	96,940	-	-	-	512	97,452
New Zealand Dollar	2,022	-	-	-	-	2,022
Norwegian Krone	38,420	-	-	-	-	38,420
Phillipine Peso	388	-	-	255	-	643
Polish Zloty	3,775	-	-	-	-	3,775
Pound Sterling	438,820	491	-	(46)	122	439,387
Qatari Rial	335	-	-	-	-	335
Singapore Dollar	15,280	-	-	-	-	15,280
South African Rand	14,061	-	-	(2)	2	14,061
South Korean Won	96,464	-	-	-	-	96,464
Swedish Krona	35,266	-	-	-	-	35,266
Swiss Franc	155,763	-	-	-	-	155,763
Thai Baht	14,939	-	-	-	-	14,939
Turkish Lira	10,096	-	2,956	-	-	13,052
UAE Dirham	774	-	-	-	-	774
Total	\$ 2,503,516	\$ 8,536	\$ 26,022	\$ (478)	\$ 2,177	\$ 2,539,773

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Derivative instruments: The System's investment derivatives include forward currency and futures contracts. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the System's investment policy. A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. The System purchases and sells futures contracts as a means of adjusting the TRS portfolio mix at a lower transaction cost than the transactions, which would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2017, S&P 500 futures and U.S. Treasury note futures were utilized. Upon entering into such a contract, the TRS pledges to the broker cash or U.S. government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, TRS receives or pays a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The change in fair value of the futures contracts is presented in the statement of changes in fiduciary net position as "Net change in fair value of investments." The net change in fair value from futures contracts for fiscal year ended June 30, 2017 was \$140,619. At June 30, 2017, the foreign currency futures contracts outstanding were as follows:

Description	Expiration Date	Open Position	Number of Contracts	Notional Contract Size	Fair Value	Notional Value
S&P 500 Index	September 2017	Long	1	N/A	\$ 10,046,735	\$ 10,086,308
U.S. Treasury note	September 2017	Short	3	10-year U.S. Treasury note	(60,255,000)	(60,440,444)
U.S. Treasury note	September 2017	Short	1	2-year U.S. Treasury note	(36,306,375)	(36,366,793)
U.S. Treasury note	September 2017	Long	3	5-year U.S. Treasury note	53,497,516	53,619,256
U.S. Treasury note	September 2017	Long	1	U.S. Treasury note	18,288,813	18,146,773
U.S. Treasury note	September 2017	Long	2	2-year U.S. Treasury note	56,620,656	56,706,625
					<u>\$ 41,892,344</u>	<u>\$ 41,751,725</u>

A foreign currency forward contract is an agreement that obligates the parties to exchange given quantities of currencies at a pre-specified exchange rate on a certain future date. The fair values of the forward contracts are estimated based on the present value of their estimated future cash flows.

The foreign currency forward contracts subject the System to foreign currency risk because the investments are denominated in international currencies. The risks are described in the foreign currency risk schedule where the fair value of the foreign currency contracts in U.S. dollars is presented. The System enters into foreign exchange forward contracts for TRS to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Fiduciary Net Position as Investments, at fair value – Equities. The change in fair value of the forward contracts is presented in the statement of changes in fiduciary net position as "Net change in fair value of investments." The net change in fair value from foreign currency forward contracts for fiscal year ended June 30, 2017 was de minimus. At June 30, 2017, the foreign currency forward contracts outstanding were as follows:

Description	Notional Value	Currency	Value Date	Fair Value (U.S. Dollars)
Forward sale	\$ (1,208,676)	JPY	7/5/2017	\$ (1,212,989)
Forward sale	(1,502,286)	MXN	7/6/2017	(1,503,968)
Forward sale	(903,790)	USD	7/3/2017	(903,790)
Forward purchase	921,314	CAD	7/5/2017	920,375
Forward purchase	21,928	JPY	7/5/2017	21,880
Forward purchase	168,062	USD	7/3/2017	168,062
Forward purchase	9,931	USD	7/5/2017	9,931

Rate of return - Pension: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, as adjusted for the changing amounts actually invested.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Rate of return - OPEB: For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 14.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, as adjusted for the changing amounts actually invested.

Note 4. Commitments

At June 30, 2017, the System has total capital commitments related to alternative and real estate investments of \$2,945,400,000. Of this amount, approximately \$1,120,287,000 remained unfunded.

Note 5. Securities Lending Activity

The System's investment policy and State statutes provide for its participation in a securities lending program. The program is administered by the System's master custodian, and there are no restrictions on the amount of loans that can be made. Certain securities of the System are loaned to participating brokers, who must provide collateral in the form of cash, U. S. Treasury or government agency securities, or letters of credit issued by approved banks.

Under the terms of the agreement, collateralization of the fair value of the loaned securities must be provided in the amount of 102 percent when the security to be loaned and the collateral are in the same currency and 105 percent when the loan and collateral currencies are dissimilar. The securities on loan as of June 30, 2017 collateralized by cash were approximately \$1,660,886,000 and the cash collateral received for those securities on loan was approximately \$1,699,985,000. Securities on loan as of June 30, 2017 consisted of equity loans, corporate fixed income and US government and agencies securities collateralized by cash and non-cash securities. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the accompanying statements of fiduciary net position. The following table describes the types of securities lent and collateral as of June 30, 2017 (dollars in thousands):

	Fair Value of Securities on Loan (000)	Collateral Value (000)	Collateral Percentage
Governmental loans compared to collateral	\$ 359,410	\$ 367,599	102%
Equity loans compared to collateral	1,099,728	1,125,951	102%
Corporate loans compared to collateral	201,748	206,435	102%
	<u>\$ 1,660,886</u>	<u>\$ 1,699,985</u>	

At June 30, 2017, the System had no credit risk exposure since the amounts the System owed to borrowers exceeded the amounts borrowers owed the System. The contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the lent securities. In the event of a collateral shortfall due to a loss in value of investments made with cash collateral, such loss would be the responsibility of the System.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a separate account for the System in accordance with investment guidelines approved by the System. At June 30, 2017, the weighted average maturity of the cash collateral investments was 19 days. The dollar-weighted average maturity of cash collateral investments shall not exceed ninety days. For purposes of this restriction, the average maturity of variable rate instruments will be calculated to the next interest reset date. The Cash Collateral Account's minimum overnight liquidity level shall not be less than twenty percent. The cash collateral investments are structured and maintained by the lending agent's investment desk utilizing an asset and liability methodology designed to manage to an appropriate extent any mismatch between the investment maturities and the System's loans.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 6. Capital Assets

Capital assets consist of the following at June 30, 2017:

Furniture and fixtures	\$ 4,607,941
Accumulated depreciation	(314,637)
Capital assets, net	<u>\$ 4,293,304</u>

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2017 was approximately \$200,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$200,000 for the year ended June 30, 2017.

Note 7. Member and Employer Contributions

All contribution rates are defined or amended by the Oklahoma Legislature. All active members contribute to the System; however, the employer may elect to make all or part of the contribution for its employees. There are special provisions for members of higher education who joined the System before July 1, 1995. The annual employer contributions reported for the year ended June 30, 2017 were \$403,256,970. Employers satisfied 100 percent of their contribution requirements for 2017.

All members must contribute 7 percent of regular annual compensation, not to exceed the member's maximum compensation level, which for the year ended June 30, 2017 was the full amount of regular annual compensation.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 9.5 percent beginning on January 1, 2011 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate was 8.55 percent starting on January 1, 2011 for comprehensive and four year universities. The rates for fiscal years 2017 are applied on the full amount of the member's regular annual compensation up to certain limits prescribed by the IRC.

Note 8. Benefits

The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

- Members become 100 percent vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2 percent of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 8. Benefits (Continued)

calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2 percent of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Supplemental Health Insurance Program (OPEB Plan)

The System makes payments to certain retiree health insurance providers that are subsidies to help pay for certain supplemental health benefits that are available to eligible retired members who elect such coverage. The subsidy payments are made to the Employees Group Insurance Division (EGID) of the Office of Management and Enterprise Services (OMES) for retirees who opt to continue their employer-provided insurance and are also made to employers who provide health insurance options through other insurers as long as the plans provide health insurance options to both the employers' active and retired employees.

All retirees are eligible except for special retirees (as defined) and spouses and beneficiaries as long as they have at least 10 years of service. Retirees who elect such coverage receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between \$100 and \$105 per month, depending on service and final average compensation. Payments are made on their behalf monthly (i) to EGID as described above, if the member continues health coverage under that Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer as described above. The amounts paid to EGID or local employers were approximately \$30,309,000 in 2017 and are included in retirement and other benefits expense.

Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. The cost of the subsidy averages 0.15% of normal cost, as determined by an actuarial valuation.

Each employer in the OPEB Plan will begin disclosing the employer's own apportioned elements of the OPEB plan.

Assumptions: For OPEB, the actuarial valuation date was performed as of June 30, 2017. The measurement date was June 30, 2017. An assumption change was made to the OPEB Plan during the current valuation lowering the rate of participation in the supplemental insurance benefit from 100% to 50%, based on historical data. The benefits are only available to those retirees that participate and have at least 10 years of service credit at retirement.

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 9. Dedicated Tax

The plan receives funds provided by the State of Oklahoma, a non-employer contributing entity, through 5.0 percent of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. The System receives 1 percent of the cigarette taxes collected by the State and receives 5 percent of net lottery proceeds collected by the State. The System received approximately \$278,924,000 from the State in 2017. Amounts due from the State were approximately \$31,549,000 at June 30, 2017.

Note 10. Plan Amendments

The 2017 legislative session passed HB 1162 which changed the number of years to "vest" and become eligible for a TRS pension from five (5) to seven (7) for members who become a member after November 1, 2017.

Note 11. DB Plans (Pension and OPEB Actuarial Information)

The components of the net pension liability of the employers at June 30, 2017 were as follows:

Total pension liability	\$ 21,625,384,047
Plan fiduciary net position	(14,989,975,076)
Employers' net pension liability	<u>\$ 6,635,408,971</u>

Plan fiduciary net position as a percentage of the total pension liability 69.32%

The components of the net OPEB asset at June 30, 2017 were as follows:

Total OPEB liability	\$ 428,764,003
Plan fiduciary net position	(473,358,220)
Employers' net OPEB asset	<u>\$ (44,594,217)</u>

Plan fiduciary net position as a percentage of the total OPEB asset 110.40%

The total pension and OPEB liability and total pension and OPEB asset as of June 30, 2017, were determined based on actuarial valuations prepared as of June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Inflation—2.50 percent
- Future Ad Hoc Cost-of-living Increases—None
- Salary Increases—Composed of 3.25 percent wage inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service
- Investment Rate of Return—7.50 percent
- Retirement Age— Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014
- Mortality Rates after Retirement— Males: RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members—RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 11. DB Plans (Pension and OPEB Actuarial Information) (Continued)

Measurement of the net pension liability: The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability as measured using the individual entry age normal actuarial cost method less the fair value of assets (not the smoothed actuarial value of assets seen in actuarial valuations based on the Board's adopted assumptions and methods).

For the valuation period ending June 30, 2017, a single discount rate of 7.50% was used to measure the total pension liability. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100.0%	

** The Real Estate total expected return is a combination of US Direct Real Estate (unleveraged) and US Value added Real Estate (unleveraged).

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 11. DB Plans (Pension and OPEB Actuarial Information) (Continued)

Sensitivity of the net pension liability and net OPEB asset to the single discount rate assumptions: The following table provides the sensitivity of the net pension liability and net OPEB asset to changes in the discount rate as of June 30, 2017. In particular, the table presents the plan's net pension liability and net OPEB asset, if they were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 9,139,040,005	\$ 6,635,408,971	\$ 4,539,581,835
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB asset	\$ (1,866,630)	\$ (44,594,218)	\$ (81,125,635)

Due to the structure of the OPEB plan, healthcare cost trend rate sensitivity analysis is not meaningful.

Note 12. New Accounting Pronouncements Issued, Not Yet Adopted

The following GASB statements were implemented during the fiscal year:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* improves the usefulness of information about OPEB to be included in general purpose external financial reports of OPEB plans. As previously discussed, the implementation of GASB 74 resulted in a restatement of restricted net position at the beginning of the year, disaggregating amounts.

GASB Statement No. 77, *Tax Abatement Disclosures* provides additional disclosure related to certain types of tax abatements. This statement had no effect on the Plan.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses practice issues regarding the scope of GASB-68, *Accounting and Financial Reporting for Pensions* and certain multiple-employer plans that are not state or local governmental pension plans and that may provide defined benefit pensions to both governmental and non-governmental employees. This statement had no effect on the Plan.

GASB Statement No. 80, *Blending Requirements for Certain Component Units* also addresses a practice issue regarding the presentation of not-for-profit corporations and similar component units where a primary government is the sole corporate member of the component unit. This statement had no effect on the plan.

GASB Statement No. 82, *Pension Issues – An Amendment to GASB Statements No. 67, No. 68, and No. 73* (GASB 82). The objective of GASB 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in

Teachers' Retirement System of Oklahoma

Notes to Financial Statements

Note 12. New Accounting Pronouncements Issues, Not Yet Adopted (Continued)

required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Plan made certain clarifications in the Required Supplementary Information with regard to payroll-related measures to conform to the provisions of GASB 82.

In addition, the following accounting pronouncements have been issued by the GASB, but not yet adopted:

Fiscal Year Ended June 30, 2018:

For the fiscal year ended June 30, 2018, the Plan will assist employers of the State in their implementation of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 requires employers to provide additional information regarding OPEB in their financial statements. The Plan will provide such information in the form of additional schedules.

GASB Statement No. 81 (GASB 81), *Irrevocable Split-Interest Agreements* provides additional accounting and financial reporting information for circumstances when a government is a beneficiary or and administrator of such agreements. As of the date of the financial statements, the Plan is currently evaluating the effects of this pronouncement.

GASB Statement No. 85 (GASB 85), *Omnibus 2017* addresses practice issues identified in the implementation and application of existing GASB Statements. The issues involve certain situations involving blending component units, goodwill, fair value measurement and application, pensions and OPEB. As of the date of the financial statements, the Plan is currently evaluating the effects of this pronouncement.

GASB Statement No. 86 (GASB 86), *Certain Debt Extinguishment Issues* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired only with existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. As of the date of the financial statements, the Plan is currently evaluating the effects of this pronouncement.

Fiscal Year Ended June 30, 2019 (and beyond):

GASB Statement No. 83 (GASB 83), *Certain Asset Retirement Obligations* addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance. GASB 83 is effective for reporting periods beginning after June 15, 2018. As of the date of the financial statements, the Plan is currently evaluating the effects of this pronouncement.

GASB Statement No. 84 (GASB 84), *Fiduciary Activities* seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB-84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 is effective for reporting periods beginning after December 15, 2018. As of the date of the financial statements, the Plan is currently evaluating the effects of this pronouncement.

GASB Statement No. 87 (GASB 87), *Leases* increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the

Teachers' Retirement System of Oklahoma**Notes to Financial Statements**

Note 12. New Accounting Pronouncements Issues, Not Yet Adopted (Continued)

contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after December 15, 2019. As of the date of the financial statements, the Plan is currently evaluating the effects of this pronouncement.

Note 13. Subsequent Events

The System has performed an evaluation of subsequent events through October 20, 2017, the date the basic financial statements were available to be issued. As listed in Note 10, legislation passed HB 1162 which changed the number of years to "best" and become eligible for a TRS pension from five (5) to seven (7) years. No other events were identified.

Teachers' Retirement System of Oklahoma

Required Supplementary Information

Schedule of Changes in Employers' Net Pension Liability (Unaudited)

Fiscal Year Ended June 30,

	Year Ended June 30			
	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 446,728,754	\$ 428,904,761	\$ 415,702,261	\$ 409,199,801
Interest	1,599,025,933	1,609,511,334	1,538,893,982	1,491,722,137
Difference between actual and expected return	(373,928,623)	(36,212,168)	(159,980,414)	(105,344,633)
Assumption changes	(482,042,966)	933,294,515	346,488,630	-
Benefit payments	(1,281,816,606)	(1,257,276,705)	(1,201,350,907)	(1,153,051,607)
Refunds	(40,944,298)	(36,109,832)	(35,240,176)	(28,718,256)
Net change in total pension liability	(132,977,806)	1,642,111,905	904,513,376	613,807,442
Total pension liability:				
Beginning	21,758,361,853	20,551,132,567	19,646,619,191	19,032,811,749
Ending (a)	21,625,384,047	22,193,244,472	20,551,132,567	19,646,619,191
Plan fiduciary net position:				
Contributions-Employer/State	698,695,713	725,425,216	728,442,070	707,052,675
Contributions-Members	292,949,337	294,459,090	303,677,304	301,300,811
Net investment income	1,945,898,975	(357,443,247)	428,855,747	2,571,707,952
Benefit payments	(1,281,816,606)	(1,257,276,705)	(1,201,350,906)	(1,153,051,607)
Refunds	(40,944,298)	(36,109,832)	(35,240,176)	(28,718,256)
Administrative expense	(4,028,080)	(4,458,336)	(4,358,938)	(4,282,605)
Net change in plan fiduciary net position	1,610,755,041	(635,403,814)	220,025,101	2,394,008,970
Plan fiduciary net position:				
Beginning	13,379,220,035	14,449,506,469	14,229,481,368	11,835,472,398
Ending (b)	14,989,975,076	13,814,102,655	14,449,506,469	14,229,481,368
Plan's net pension liability (a)-(b)	\$ 6,635,408,971	\$ 8,379,141,817	\$ 6,101,626,098	\$ 5,417,137,823

See notes to required supplementary information

Information to present a 10 year schedule is not currently available.

Teachers' Retirement System of Oklahoma

Required Supplementary Information

Schedule of Employers' Net Pension Liability (Unaudited)

Fiscal Years Ended June 30,

	Year Ended June 30			
	2017	2016	2015	2014
Total pension liability	\$ 21,625,384,047	\$ 22,193,244,472	\$ 20,551,132,567	\$ 19,646,619,191
Plan fiduciary net position	14,989,975,076	13,814,102,655	14,449,506,469	14,229,481,368
Employers' net Pension liability	\$ 6,635,408,971	\$ 8,379,141,817	\$ 6,101,626,098	\$ 5,417,137,823
Employers' fiduciary net position as a percentage of the total pension liability	69.32%	62.24%	70.31%	72.43%
Covered payroll	\$ 4,070,723,673	\$ 4,206,558,429	\$ 4,338,247,200	\$ 4,304,297,300
Employers' net pension liability as a percentage of covered payroll	163.00%	199.19%	140.65%	125.85%

See notes to required supplementary information

Information to present a 10 year schedule is not currently available.

Teachers' Retirement System of Oklahoma

Required Supplementary Information

Schedule of Contributions From Employers
and Other Contributing Entities (Unaudited)

	2017	2016	2015	2014
Actuarially determined contributions	\$ 689,580,590	\$ 723,528,050	\$ 550,652,420	\$ 602,936,966
Contributions in relation to the actuarially determined contribution:				
Employers (Schools)	396,743,812	409,753,221	392,051,458	386,895,127
State of Oklahoma, a non-employer contributing entity	301,951,901	315,671,995	336,390,612	320,157,548
Contribution deficiency (excess)	\$ (9,115,123)	\$ (1,897,166)	\$ (177,789,650)	\$ (104,115,709)
Covered payroll	\$ 4,070,723,673	\$ 4,206,558,429	\$ 4,338,247,200	\$ 4,304,297,300
Contributions as a percentage of covered payroll	17.16%	17.25%	16.79%	16.43%
	2012	2011	2010	2009
Actuarially determined contributions	\$ 588,287,377	\$ 822,419,996	\$ 742,286,289	\$ 714,367,558
Contributions in relation to the actuarially determined contribution:				
Employers (Schools)	376,635,234	364,025,589	366,282,238	338,974,512
State of Oklahoma, a non-employer contributing entity	304,995,663	274,452,205	254,375,139	279,672,051
Contribution deficiency (excess)	\$ (93,343,520)	\$ 183,942,202	\$ 121,628,912	\$ 95,720,995
Covered payroll	\$ 3,924,800,000	\$ 3,773,300,000	\$ 3,854,800,000	\$ 3,807,900,000
Contributions as a percentage of covered payroll	17.37%	16.92%	16.10%	16.25%

See notes to required supplementary information

Notes to Schedule:

The covered payroll is an estimate of the actual payroll, imputed from individual member contributions.

The assumption change in fiscal year 2015 is attributable to the new assumptions adopted by the Board in May 2015.

The assumption change in fiscal year 2016 is attributable to the new economic assumptions adopted by the Board in September 2016.

The beginning balances for the total pension liability and the plan fiduciary net position were both restated as of June 30, 2016 to remove \$434,882,619 which will be reported as an OPEB going forward.

The assumption change in fiscal year 2017 is attributable to the change in assumed election rate for the Supplemental Medical Insurance benefit adopted by the Board in August 2017.

Teachers' Retirement System of Oklahoma**Required Supplementary Information**

Schedule of Investment Returns (Unaudited)
Fiscal Year Ended June 30, 2017

	Year Ended June 30			
	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	14.72%	-2.50%	3.04%	21.95%

See notes to required supplementary information

Information to present a 10 year schedule is not currently available.

Teachers' Retirement System of Oklahoma

Required Supplementary Information

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Actuarially determined contribution rates are calculated as of June 30.

Members and employers contribute based on statutorily fixed rates. The State of Oklahoma contributes 5.0% of revenues from sales taxes, use taxes, corporate and individual income taxes and lottery proceeds. An additional contribution is made for members whose salary is paid from federal funds or certain grant money.

Beginning with fiscal year ending June 30, 2016, the Actuarially Determined Employer Contribution (ADEC) is determined as the employer contribution amount necessary to discharge the Unfunded Actuarial Accrued Liability over a period equal to the funding period for the current actuarial valuation for plan funding purposes (i.e., 20 years as of June 30, 2016). However, in no event shall the amortization period be in excess of a fixed period of twenty (20) years. ADEC rates are calculated as of June 30.

Beginning with the fiscal year ending June 30, 2017, an actuarially determined portion of the employers' contributions (0.16% of pay for FY2017) is allocated to the OPEB Plan and reported under GASB 74. As a result, these contributions are not included in either the actual or actuarially determined contributions above.

The ADEC was previously determined as the total employer contribution necessary to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 30 years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining Amortization period	20 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increase	Composed of 2.5% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
Investment rate of return	7.50%
Retirement age	Experience-based table of rates based on age, service and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014
Mortality	RP-2000 Combined Mortality Table for males with White Collar Adjustments with fully generational projection by Scale BB from the table's base year of 2000. For females, the GRS Southwest Region Teacher Mortality Table, scaled at 105%, with fully generational projection by Scale BB from the table's base year of 2012.

Information to present a 10 year schedule is not currently available.

Teachers' Retirement System of Oklahoma

Required Supplementary Information

Schedule of Changes in Employers' Net OPEB (Asset)/Liability (Unaudited)
Fiscal Years Ended June 30,

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 6,647,749
Interest on the total OPEB liability	31,728,895
Benefit changes	-
Difference between actual and expected return	(14,186,133)
Assumption changes	-
Benefit payments	<u>(30,309,127)</u>
Net change in total OPEB liability	(6,118,616)
Total OPEB liability:	
Beginning	<u>434,882,619</u>
Ending (a)	428,764,003
Plan fiduciary net position:	
Employer contributions	6,513,158
Employee contributions	-
OPEB net investment income	62,298,027
Benefit payments	(30,309,127)
Administrative expense	<u>(26,457)</u>
Net change in plan fiduciary net position	38,475,601
Plan fiduciary net position:	
Beginning	<u>434,882,619</u>
Ending (b)	<u><u>473,358,220</u></u>
Employers' Net OPEB liability (asset) (a)-(b)	\$ <u><u>(44,594,217)</u></u>

Information to present a 10 year schedule is not currently available.

Teachers' Retirement System of Oklahoma

Required Supplementary Information

Schedule of Employers' Net OPEB Liability (asset) (Unaudited)
Fiscal Years Ended June 30,

	<u>2017</u>
Total OPEB liability	\$ 428,764,003
OPEB fiduciary net position	<u>473,358,220</u>
Employers' net OPEB liability (asset)	<u>\$ (44,594,217)</u>
Employers' fiduciary net position as a percentage of the total OPEB liability	110.40%
Covered payroll	N/A
Employers' net OPEB liability (asset) as a percentage of covered OPEB payroll	N/A

See notes to required supplementary information

Information to present a 10 year schedule is not currently available.

Teachers' Retirement System of Oklahoma

Required Supplementary Information

Schedule of OPEB Contributions From Employers

	2017
Actuarially determined contributions	\$ 6,513,158
Contributions in relation to the actuarially determined contribution:	
Employers	6,513,158
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 4,070,723,673
Contributions as a percentage of covered payroll	0.16%

Information to present a 10 year schedule is not currently available.

Teachers' Retirement System of Oklahoma**Required Supplementary Information**

Teachers' Retirement System of Oklahoma**Schedule of OPEB Investment Returns (Unaudited)****Fiscal Year Ended June 30, 2017**

Year Ended

June 30

2017

OPEB Plan

Annual money-weighted rate of return, net of investment expenses

14.72%

See notes to required supplementary information

Information to present a 10 year schedule is not currently available

Teachers' Retirement System of Oklahoma

Required Supplementary Information

NOTES TO SCHEDULE OF CONTRIBUTIONS

The ADEC is the amount needed to fund the normal cost, the anticipated administrative expenses, and a payment towards eliminating the Unfunded Actuarial Accrued Liability (UAAL). The payment towards eliminating the UAAL is based on an closed period of twenty (20) years calculated as a level percentage of future payroll with the initial period beginning on July 1, 2016.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining Amortization period	20 years beginning on July 1, 2016
Asset valuation method	Market
Inflation	2.50%
Salary increase	Composed of 2.5% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
Investment rate of return	7.50%
Retirement age	Experience-based table of rates based on age, service and tier.
Mortality	RP-2000 Combined Mortality Table for males with White Collar Adjustments with fully generational projection by Scale BB from the table's base year of 2000. For females, the GRS Southwest Region Teacher Mortality Table, scaled at 105%, with fully generational projection by Scale BB from the table's base year of 2012.
Health Care Trend Rates	Due to the nature of the benefit, health care trend rates are not applicable to the calculation of contribution rates.
Expenses	Administrative expenses are explicitly included in the ADEC. Investment expenses are paid through investment returns.

Teachers' Retirement System of Oklahoma

Supplementary Information

Schedule of Investment Expenses**For the Year Ended June 30, 2017**

Investment managers	\$ 66,403,486
Investment consultants	1,150,500
Investment personnel	317,553
Total investment expenses	<u>\$ 67,871,539</u>

Teachers' Retirement System of Oklahoma

Supplementary Information

Schedule of Administrative Expenses
For the Year Ended June 30, 2017

Salaries and benefits	\$ 2,908,106
General and miscellaneous	522,901
Professional/consultant fees	568,763
Travel and related expenses	38,126
Depreciation expense	16,641
Total administrative expenses	<u><u>\$ 4,054,537</u></u>

Teachers' Retirement System of Oklahoma**Supplementary Information**

**Schedule of Professional/Consultant Fees
For the Year Ended June 30, 2017**

Actuarial	\$	88,819
Medical		8,027
Legal		67,774
Audit		181,169
Data processing		118,774
Miscellaneous		104,200
Total professional/consultant fees	\$	568,763



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA



Investment Section

TEACHERS RETIREMENT SYSTEM OF OKLAHOMA PROFESSIONAL CONSULTANTS AND ADVISORS

DOMESTIC EQUITY MANAGERS

Aronson + Johnson + Ortiz, *Mid-Capitalization Core*
Philadelphia, Pennsylvania

Frontier Capital Management, *Mid-Capitalization Growth*
Boston, Massachusetts

Frontier Capital Management Co. LLC, *Small-Capitalization Value*
Boston, Massachusetts

Geneva Capital Management Ltd., *Small-Capitalization Growth*
Milwaukee, Wisconsin

Hotchkis & Wiley Investment, *Large-Capitalization Value*
Los Angeles, California

Hotchkis & Wiley Investment, *Mid-Capitalization Value*
Los Angeles, California Northern Trust, *Domestic Equity Index*
Chicago, Illinois

Neumeier Poma Investment Counsel, LLC, *Small-Capitalization Growth*
Carmel, California

Northern Trust Asset Management, *Domestic Equity Index*
Chicago, Illinois

Sawgrass Asset Management, LLC, *Large-Capitalization Growth*
Jacksonville Beach, Florida

Shapiro Capital Management Company, Inc., *Small-Capitalization Value*
Atlanta, Georgia

State Street Global Advisors, *Domestic Equity Index*
Boston, Massachusetts

Wasatch Advisors, Inc., *Small-Capitalization Growth*
Salt Lake City, Utah

Wellington Management Company, LLP, *Mid-Capitalization Growth*
Boston, Massachusetts

INTERNATIONAL EQUITY MANAGERS

Advisory Research, Inc., *Small Capitalization*
Chicago, Illinois

Allianz, *Large Capitalization*
New York City, New York

Causeway Capital Management, LLC, *Large Capitalization*
Los Angeles, California

Epoch Investment Partners, Inc., *Small Capitalization*
New York City, New York

State Street Global Advisors, *Small-Capitalization Emerging Markets*
Boston, Massachusetts

Wasatch Funds, *Small Capitalization*
Salt Lake City, Utah

Wellington Management Company, LLP, *Small Capitalization & Large Capitalization*
Boston, Massachusetts

FIXED INCOME MANAGERS

Hoisington Investment Management Co., *Active Duration*
Austin, Texas

Loomis, Sayles & Company, LP, *Core+ & High Yield*
Boston, Massachusetts

Lord Abbett & Company, LLC, *Core+ & High Yield*
Jersey City, New Jersey

MacKay Shields, LLC, *Core+ & High Yield*
New York City, New York

MASTER LIMITED PARTNERSHIPS

Chickasaw Capital Management
Memphis, Tennessee

Cushing MLP
Dallas, Texas

Advisory Research,
Inc. St. Louis, Missouri

PRIVATE EQUITY MANAGERS

Franklin Park, LLC, Private Equity
Bala Cynwyd, Pennsylvania

REAL ESTATE

AEW
Boston, Massachusetts

American Realty Advisors
Glendale, California

Antheus Capital
Englewood, New Jersey

Dune Real Estate Partners
New York City, New York

GreenOak
New York City, New York

Heitman Real Estate
Chicago, Illinois

L & B Real Estate
Advisors Dallas, Texas

Landmark Partners
Simsbury, Connecticut

Starwood Capital
Greenwich, Connecticut

ADVISORS AND CONSULTANTS

Northern Trust, *Global Custodian/Securities Lending*
Chicago, Illinois

AndCo, *Investment Consultant*
Tulsa, Oklahoma

Gabriel, Roeder, Smith & Company, *Actuarial Consultant*
Dallas, Texas

Eide Bailly, LLP *Independent Auditor*
Oklahoma City, OK

Office of the Attorney General
Oklahoma City, Oklahoma

Statement of Investment Policies

The policies and procedures of the Teachers' Retirement System of Oklahoma provide for a prudent and systematic investment process on behalf of its members, allowing for reasonable expenses of administration of the Fund, and providing for an orderly means whereby employees may be retired from active service with all pension benefits allowed by Oklahoma statutes. The Board of Trustees must follow the "prudent investor standard." In making investments, the Board must exercise the judgment, care, skill, prudence, and diligence under the circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character.

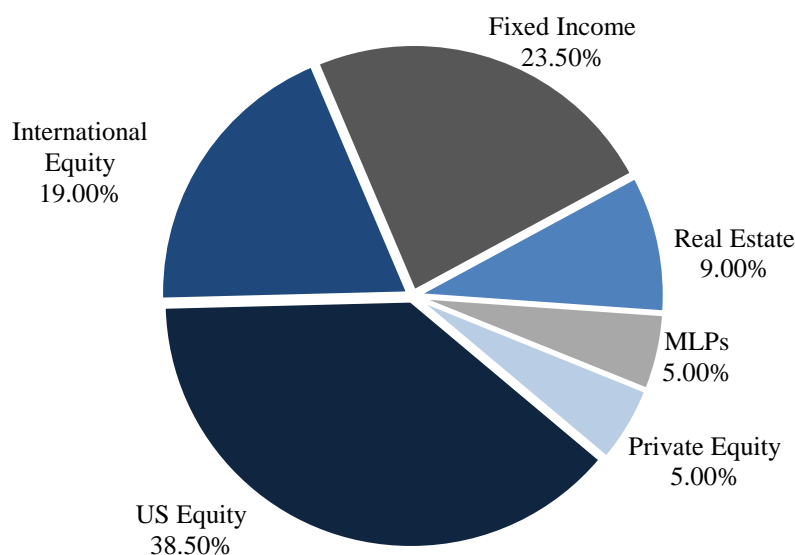
The Board diversifies investments to minimize risk. The investment objectives of the Board, as fiduciaries, are long-term rather than short-term. Board policy takes into consideration actuarial assumptions of the retirement program and any unfunded liabilities.

The investment balances presented in this section and the financial section are presented on the accrual basis of accounting. All reporting in the investment section is based on fair value.

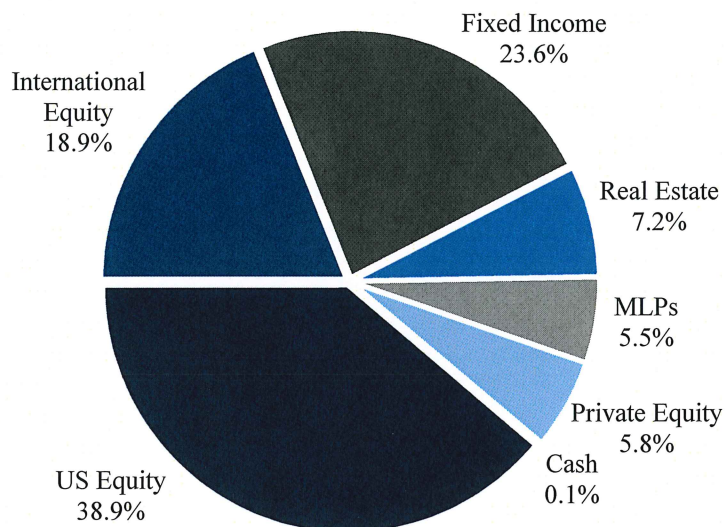
Investment Allocation Policy

In the pursuit of long-term returns in excess of our 7.5 percent actuarial assumption, while maintaining the goal of capital preservation, TRS has adopted a diversified policy asset allocation. The resulting diversified portfolio is designed to enhance long-term returns while mitigating short-term volatility. To those ends, the TRS policy allocation has a 57.5 percent allocation to domestic and developed market equities and a 23.5 percent allocation to fixed income. All investments are managed by external managers.

Policy Allocation



Actual Allocation



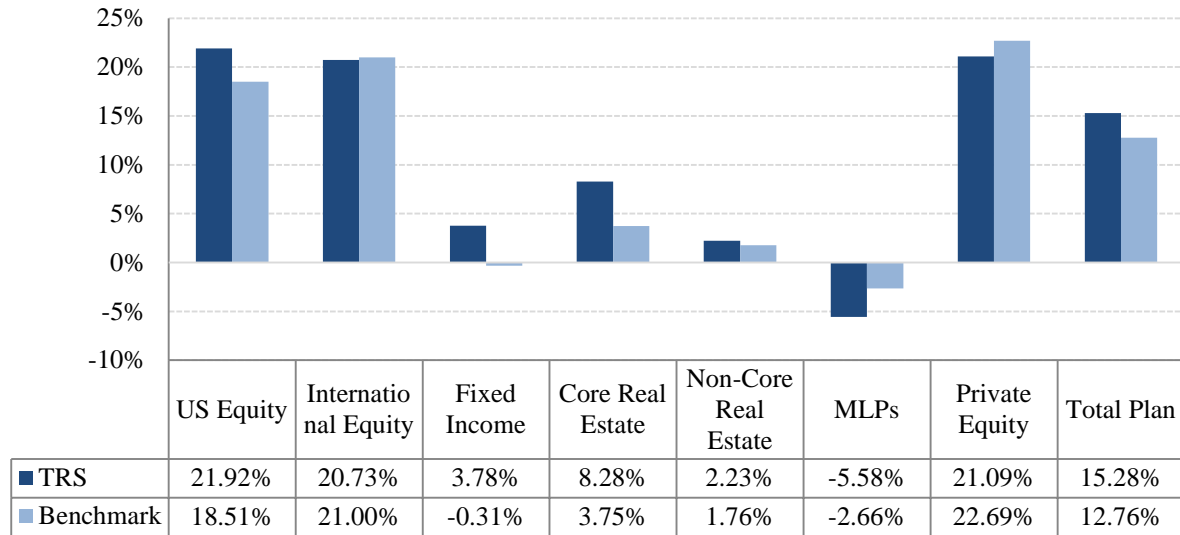
Investment Performance

To achieve the investment goals set forth by TRS's Investment Policy Statement, the Board of Trustees employ a strategy of prudent asset class diversification. For the Fiscal Year 2017 the Fund realized a 15.28 percent rate of return, calculated using a time-weighted rate of return based on the market rate of return. The asset allocation as of the end of fiscal year 2017 approximates the allocation throughout the year then ended.

This report is prepared by:

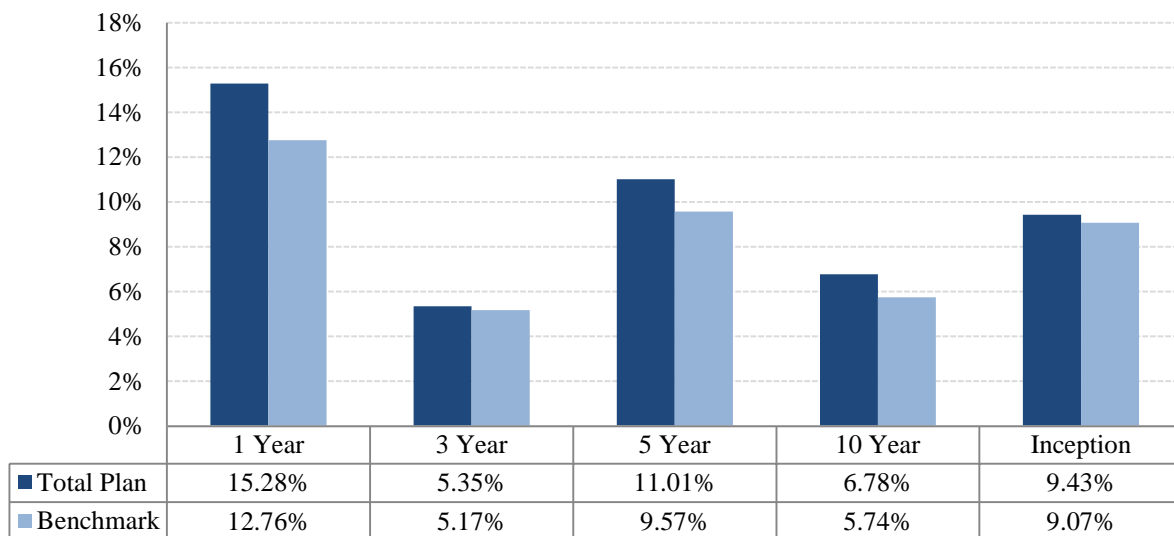
Melissa Kempkes
Investment Analyst

Strategy Performance



Since inception, December 1, 1991, the TRS Composite has returned 9.2 percent, gross of fees, while the policy benchmark has returned 8.9 percent. Both return percentages are calculated using the Market Value Rate of Return. The policy benchmark consists of 25% Barclays Aggregate, 17.5% Russell 1000, 15% MSCI-ACWI Ex US, 12.5% Russell Midcap, 10% Russell 2000, 5% Russell 1000 + 400bp, 5% Merrill HY II Master, 5% Alerian MLP, and 5% NCREIF Fund open end.

TRS Composite Returns



Rates calculated using Market Value Rate of Return.

Top Holdings

TRS's ten largest stock and fixed income holdings by fair value as of June 30, 2017 are listed below.

Ten Largest Equity Holdings

Security	Shares	Market Value
Fireeye Inc. Com	2,910,600	44,270,226
Bank Of America Corp	1,605,400	38,947,004
Digitalglobe Inc. Com New Com New	1,161,056	38,663,165
Amc Networks Inc. Cl A	710,429	37,944,013
Knowles Corp Com	1,882,127	31,845,589
American International Group Inc. Com	508,900	31,816,428
Hewlett Packard Enterprise Co Com	1,916,800	31,799,712
Citigroup Inc. Com New Com New	472,150	31,577,392
Apple Inc. Com Stk	216,974	31,248,595
Urban Outfitters Inc. Com	1,668,940	30,942,148

Ten Largest Fixed Income Holdings

Security	Par	Market Value
U.S. Treasury Bonds 2.5% due 02-15-2045 ⁽¹⁾	108,000,000	100,790,136
U.S. Treasury Bonds 2.5% due 05-15-2046 ⁽¹⁾	97,110,000	90,346,483
U.S. Treasury Bonds 2.5% due 02-15-2046 ⁽¹⁾	82,290,000	76,593,968
U.S. Treasury Bonds 2.25% due 08-15-2046 ⁽¹⁾	73,000,000	64,268,543
U.S. Treasury Bonds 3% due 11-15-2044 ⁽¹⁾	49,500,000	51,077,813
U.S. Treasury Bonds Stripped due 11-15-2045 ⁽¹⁾	100,000,000	43,624,000
U.S. Treasury Bonds Stripped due 08-15-2045 ⁽¹⁾	96,750,000	42,525,785
U.S. Treasury Bonds Stripped 1.75% due 06-30-2022 ⁽¹⁾	40,856,000	40,591,090
U.S Treasury Notes Inflation Indexed 0.125 04-15-2018 ⁽¹⁾	31,385,000	33,080,630
U.S. Treasury Bonds Stripped due 02-15-2046 ⁽¹⁾	76,000,000	32,939,160

⁽¹⁾ Securities are explicitly guaranteed by the United States Government.

A comprehensive list of the Plan's investments at June 30, 2017 may be obtained by contacting the Investment Analyst.

Investment Expenses

For the Fiscal Year 2017, investment fees paid to investment management firms employed by TRS were as follows:

Investment Manager	Fees Paid
Advisory Intl Mgmt Fee	\$ 1,100,073
Advisory Management Fee	1,152,150
AEWCore Real Estate	2,192,341
AJO Mgmt Fee	935,454
Allianz Mgmt Fee	2,042,263
American RealtyNon-Core Real Estate	504,020
AntheusNon-Core Real Estate	800,727
Causeway Mgmt Fee	1,274,887
Chickasaw Mgmt Fee	2,649,678
Cove Street Mgmt Fee	793,481
Cushing Mgmt Fee	1,643,181
DuneNon-Core Real Estate	732,272
Epoch All Cap Mgmt Fee	1,133,916
Epoch Intl Mgmt Fee	1,398,966
Franklin ParkPrivate Equity	4,237,459
Franklin ParkPrivate Equity - Legacy	133,411
Frontier Mid Cap Mgmt Fee	2,922,856
Frontier Small Cap Mgmt Fee	1,834,439
Geneva Mgmt Fee	1,976,857
GreenOakNon-Core Real Estate	1,506,074
HeitmanCore Real Estate	1,988,054
Hoisington Mgmt Fee	358,128
Hotchkis & Wiley Lg Cap Mgmt Fee	1,739,422
Hotchkis & Wiley Mid Cap Mgmt Fee	2,776,020
L&BCore Real Estate	2,010,761
L&BNon-Core Real Estate	266,656
LandmarkNon-Core Real Estate	350,000
Loomis Sayles Core Plus Mgmt Fee	1,041,922
Loomis Sayles High Yield Mgmt Fee	1,250,031
Lord Abbett Core Plus Mgmt Fee	1,066,161
Lord Abbett High Yield Mgmt Fee	1,118,820
MacKay Shields Core Plus Mgmt Fee	1,303,888
MacKay Shields High Yield Mgmt Fee	1,191,961
Neumeier Poma Mgmt Fee	987,326
Northern Trust Passive Dom Equity	103,090
PIMCOBRAVO I	53,157
PIMCOBRAVO II	686,628
PIMCOBRAVO III	278,299
PIMCOCOF II	313,039

Investment Manager	Fees Paid
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Sawgrass Mgmt Fee	\$ 1,910,338
Shaprio Mgmt Fee	5,008,851
SSGA S&P Mgmt Fee	69,708
Starwood Non-Core Real Estate	670,950
Wasatch Intl Mgmt Fee	1,701,277
Wasatch Small Cap Mgmt Fee	1,895,783
Wellington Int Small Cap Mgmt Fee	1,801,553
Wellington Intl QG Mgmt Fee	1,957,087
Wellington Mid Cap Mgmt Fee	1,540,070
Total Management Fees	<u>\$ 66,403,486</u>

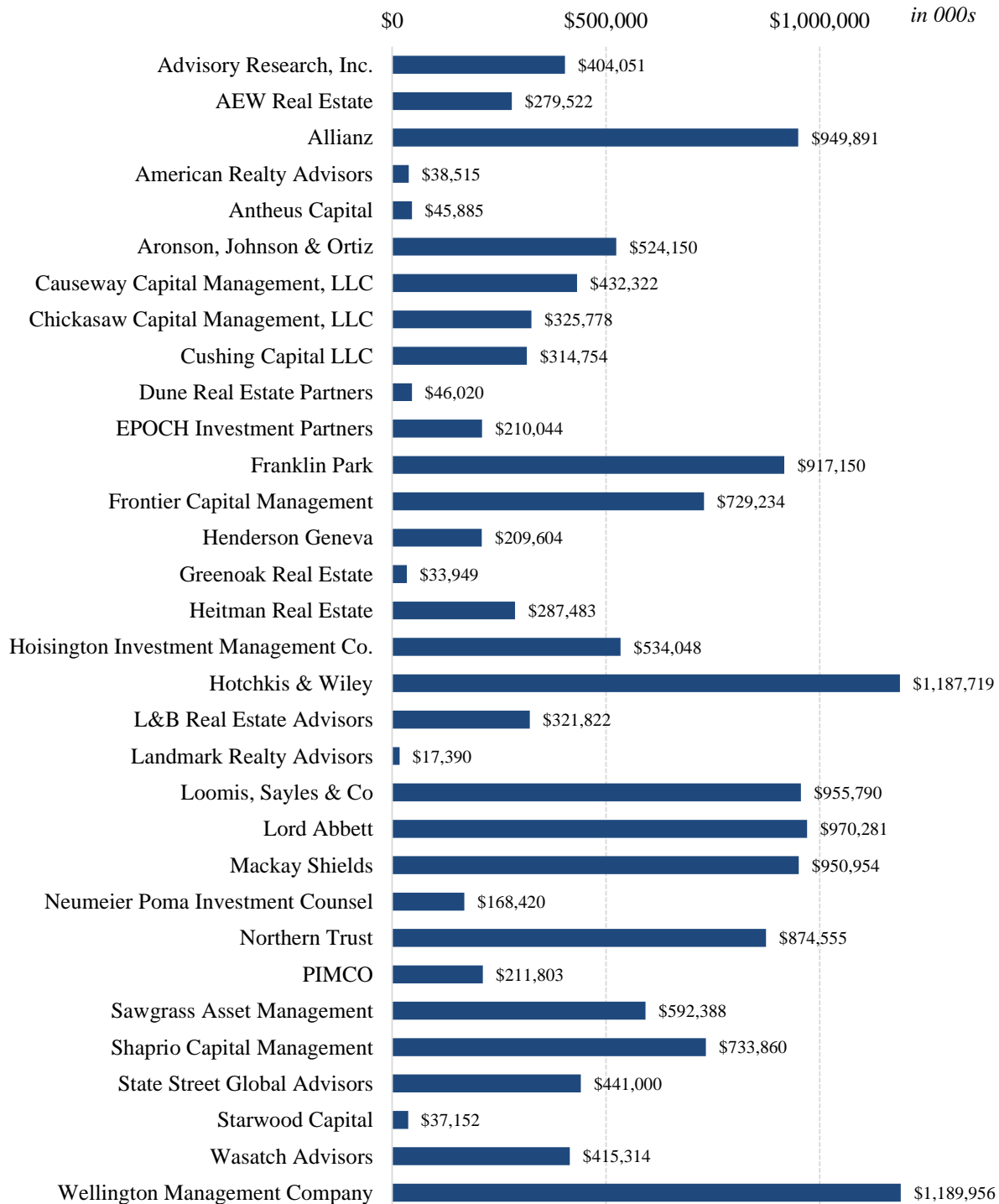
Other Investment Expenses	
AndCo Consulting	\$ 442,500
Bogdahn Consulting	708,000
Investment Department Salaries	317,553
Total Investment Expenses	<u>\$ 67,871,539</u>

Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of TRS's Investment Policy Statement.

Investment Manager	Assets Under Management
Advisory Research, Inc.	\$404,050,919
AEW Real Estate	\$279,522,139
Allianz	\$949,890,681
American Realty Advisors	\$38,514,670
Antheus Capital	\$45,885,101
Aronson, Johnson & Ortiz	\$524,150,084
Causeway Capital Management, LLC	\$432,322,200
Chickasaw Capital Management, LLC	\$325,777,755
Cushing Capital LLC	\$314,753,961
Dune Real Estate Partners	\$46,020,384
EPOCH Investment Partners	\$210,043,946
Franklin Park	\$917,149,963
Frontier Capital Management	\$729,234,401
Henderson Geneva	\$209,604,396
Greenoak Real Estate	\$33,948,584
Heitman Real Estate	\$287,483,270
Hoisington Investment Management Co.	\$534,047,971
Hotchkis & Wiley	\$1,187,719,475
L&B Real Estate Advisors	\$321,822,450
Landmark Realty Advisors	\$17,390,055
Loomis, Sayles & Co	\$955,790,247
Lord Abbett	\$970,281,397
Mackay Shields	\$950,954,074
Neumeier Poma Investment Counsel	\$168,420,121
Northern Trust	\$889,512,561
PIMCO	\$211,803,428
Sawgrass Asset Management	\$592,388,178
Shaprio Capital Management	\$733,860,163
State Street Global Advisors	\$441,000,410
Starwood Capital	\$37,151,545
Wasatch Advisors	\$415,313,873
Wellington Management Company	\$1,189,955,895
	<hr/>
	\$15,365,764,297
 Purchases Pending Settlement	 \$244,653,172
Sales Pending Settlement	(\$161,045,520)
	<hr/>
	\$15,449,371,949

Investment Assets by Investment Manager



Investment Returns through June 30, 2017

Domestic Equity	One Year	Three Year	Five Year
Teachers Retirement System of Oklahoma	21.92%	7.86%	14.98%
<i>Russell 3000</i>	<i>18.51%</i>	<i>9.10%</i>	<i>14.58%</i>
<i>S&P 500</i>	<i>17.90%</i>	<i>9.61%</i>	<i>14.63%</i>
<i>Russell 1000 Growth</i>	<i>20.42%</i>	<i>11.11%</i>	<i>15.30%</i>
<i>Russell 1000 Value</i>	<i>15.53%</i>	<i>7.36%</i>	<i>13.94%</i>
<i>Russell 2000</i>	<i>24.60%</i>	<i>7.36%</i>	<i>13.70%</i>
<i>Russell 2000 Growth</i>	<i>24.40%</i>	<i>7.64%</i>	-
<i>Russell 2000 Value</i>	<i>24.86%</i>	<i>7.02%</i>	<i>13.39%</i>
<i>Russell Mid Cap</i>	<i>16.48%</i>	<i>7.69%</i>	<i>14.72%</i>
<i>Russell Mid Cap Growth</i>	<i>17.05%</i>	<i>7.83%</i>	<i>14.19%</i>
<i>Russell Mid Cap Value</i>	<i>15.93%</i>	<i>7.46%</i>	<i>15.14%</i>
International Equity	One Year	Three Year	Five Year
Teachers Retirement System of Oklahoma	20.73%	2.70%	9.54%
<i>MSCI ACWI Ex-US</i>	<i>21.00%</i>	<i>1.27%</i>	<i>7.70%</i>
<i>MSCI ACWI Ex-US Growth</i>	<i>17.79%</i>	-	-
<i>MSCI ACWI Ex-US Value</i>	<i>24.31%</i>	<i>-0.44%</i>	<i>1.87%</i>
<i>MSCI ACWI Ex-US Small Cap</i>	<i>20.76%</i>	<i>3.68%</i>	<i>10.41%</i>
<i>MSCI EM Small Cap</i>	-	-	-
Fixed Income	One Year	Three Year	Five Year
Teachers Retirement System of Oklahoma	3.78%	3.59%	4.49%
<i>Barclay's Aggregate</i>	<i>-0.31%</i>	<i>2.48%</i>	<i>2.21%</i>
Master Limited Partnerships	One Year	Three Year	Five Year
Teachers Retirement System of Oklahoma	4.65%	-9.46%	8.05%
<i>Alerian MLP Index</i>	<i>0.40%</i>	<i>-11.23%</i>	<i>1.77%</i>
Total Fund	15.28%	5.35%	11.01%

Time-Weighted Rate of Return calculated using Market Value Rate of Return.

Schedule of Brokerage Commissions Paid

Year Ended June 30, 2017

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
ABEL/NOSER CORP	21,224	18,268	0.001
ABN AMRO CLEARING BANK N.V.	597	897	0.002
ALLEN & CO INC	1,425	2,388	0.002
AMHERST PIERPONT SECURITIES LLC	3,767	0	0.000
ANCORA SECURITIES INC.	3,800	839	0.000
AQUA SECURITIES	1	752	0.949
ARBUTHNOT SECURITIES LIMITED	98	118	0.001
AUERBACH GRAYSON & CO	7,230	6,970	0.001
AUTONOMOUS	246	778	0.003
AUTONOMOUS RESEARCH LLP	198	473	0.002
AUTONOMOUS RESEARCH US LP	1,822	1,083	0.001
AVONDALE PARTNERS, LLC	933	4,921	0.005
B.N.P. SECURITIES (HK) LTD	151	0	0.000
B.RILEY & CO. LLC	798	9,520	0.012
BANCO BTG PACTUAL S.A.	171	966	0.006
BANCO SANTANDER (BRASIL) S.A	318	3,933	0.012
BANCO SANTANDER S.A. NEW YORK	67	5,520	0.083
BANK AM BELLEVUE	587	588	0.001
BANK OF AMERICA CORPORATION	75,429	472,950	0.006
BANK OF AMERICA, N.A.	3,610	0	0.000
BANK OF MONTREAL, THE	1,704	1,759	0.001
BANK OF NEW YORK BARCLAYS LONDON	2,530	0	0.000
BANK OF NEW YORK, INC.-GLOBAL CUSTOD	207	0	0.000
BANK VONTOBEL AG	3,099	4,409	0.001
BANQUE PARIBAS PARIS	412	1,260	0.003
BANQUE PICTET ET CIE SA	1,703	847	0.000
BARCLAYS BANK PLC	80,562	16,234	0.000
BARCLAYS CAPITAL	17,536	60,258	0.003
BARCLAYS CAPITAL INC	13,565	64,069	0.005
BBVA SECURITIES INC	253	0	0.000
BBVA SECURITIES INC.	452	0	0.000
BLOOMBERG TRADEBOOK EUROPE LIMITED	3,893	8,661	0.002
BLOOMBERG TRADEBOOK LLC	11,213	21,141	0.002
BMO CAPITAL MARKETS CORP	4,687	10,532	0.002
BMO NESBITT BURNS INC	2,091	3,228	0.002
BNP PARIBAS LONDON BRANCH	171	0	0.000
BNP PARIBAS PRIME BROKERAGE	83	0	0.000

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
BNP PARIBAS SECURITIES (ASIA) LTD.	792	1,505	0.002
BNP PARIBAS SECURITIES CORPORATION	10,529	0	0.000
BNP PARIBAS SECURITIES SERVICES SA	927	11,007	0.012
BNP PARIBAS SECURITIES SERVICES, UN	3,096	6,276	0.002
BNY CONVERGEX EXECUTION SOLUTIONS	43,608	36,764	0.001
BNY STANDARD BANK LONDON	319	0	0.000
BRADESCO S.A. CTVM	33	1,181	0.036
BRASIL PLURAL CCTVM SA	1,131	453	0.000
BROADCORT CAPITAL	1,770	2,813	0.002
BROADPOINT CAPITAL	44,218	19,795	0.000
BROWN BROTHERS HARRIMAN AND CO.	76	0	0.000
BROWN BROTHERS HARRIMAN AND CO. INF	1,614	0	0.000
BTIG LLC	3,826	4,192	0.001
BTIG, INC.	20,857	22,774	0.001
BUCKINGHAM RESEARCH	1,013	4,825	0.005
CABRERA CAPITAL MARKETS LLC	3,592	268	0.000
CANACCORD GENUITY LIMITED	394	474	0.001
CANADIAN IMPERIAL BANK OF COMMERCE	2,437	1,425	0.001
CANTOR CLEARING SERVICES	147	219	0.001
CANTOR FITZGERALD AND CO.	358	60	0.000
CANTOR FITZGERALD AND CO. INC.	13,333	33,409	0.003
CANTOR FITZGERALD EUROPE	49	78	0.002
CAPITAL INSTITUTIONAL SERV NEW YORK	5,446	16,738	0.003
CARNEGIE A.S.	626	938	0.001
CARNEGIE INVESTMENT BANK AB	854	1,646	0.002
CELFIN CAP SA CORREDORES DE BOLSA	571	286	0.001
CHARLES SCHWAB AND CO., INC.	422	7,334	0.017
CHICAGO BKL TEAM	1,107	0	0.000
CHICAGO INCOME	114,760	0	0.000
CHICAGO REDEMPTIONS	363,624	0	0.000
CIBC WORLD MARKETS CORP.	1,336	1,741	0.001
CIMB SECURITIES (USA), INC.	1,791	8,598	0.005
CITADEL INVESTMENT GROUP, L.L.C.	2,826	0	0.000
CITATION FINANCIAL GROUP NY	218	377	0.002

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
CITIBANK CANADA	351	713	0.002
CITIBANK N.A	1,962	0	0.000
CITIBANK N.A.	212	853	0.004
CITIGROUP GLOBAL MARKETS INC.	136,802	269,173	0.002
CITIGROUP GLOBAL MARKETS KOREA SEC	4,822	14,691	0.003
CITIGROUP GLOBAL MARKETS LIMITED	80,234	126,378	0.002
CITIGROUP GLOBAL MKT TAIWAN SEC CO	5,890	23,433	0.004
CJS SECURITIES INC	1,110	2,590	0.002
CL KING & ASSOCIATES NEW YORK	959	1,283	0.001
CLEARVIEW CORRESPONDENT SERV LLC	2,735	3,411	0.001
CLSA AUSTRALIA PTY LTD	283	564	0.002
CLSA LIMITED	479	2,547	0.005
CLSA SECURITIES KOREA LTD.	866	16,238	0.019
CLSA SINGAPORE PTE LTD.	4,023	16,889	0.004
COLLINS STEWART	4,523	3,254	0.001
COMMONWEALTH BK OF AUSTRALIA SYDNEY	766	0	0.000
CONVERGEX EXECUTION SOLUTION	6,985	10,619	0.002
CORNERSTONE MACRO LLC	5,118	7,575	0.001
CORPORATE ACTIONS	296	0	0.000
COWEN AND COMPANY LLC	22,159	14,009	0.001
COWEN AND COMPANY, LLC	4,968	15,900	0.003
CRAIG-HALLUM CAPITAL GROUP LLC.	4,084	8,533	0.002
CREDIT AGRICOLE CIB	204	0	0.000
CREDIT AGRICOLE SECURITIES USA INC	146	519	0.004
CREDIT AGRICOLE SECURITIES, INC.	72	0	0.000
CREDIT LYONNAIS SECS(ASIA) TAIWAN	29	3,497	0.122
CREDIT SUISSE	1,405	0	0.000
CREDIT SUISSE (UK) LIMITED	302	0	0.000
CREDIT SUISSE AG, NEW YORK BRANCH	42,246	27,744	0.001
CREDIT SUISSE AG, TAIPEI SEC BRANCH	2,932	4,252	0.001
CREDIT SUISSE FIRST BOSTON SA CTVM	1,445	3,544	0.002
CREDIT SUISSE SECU (EUROPE) LTD	228	3,167	0.014
CREDIT SUISSE SECURITIES (USA) LLC	31,952	126,857	0.004

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
CREDIT SUISSE SECURITIES(EUROPE)LTD	5,199	29,205	0.006
D.A. DAVIDSON AND CO	164	4,223	0.026
DAEWOO SECURITIES CO., LTD.	146	294	0.002
DAIWA CAPITAL MARKETS AMERICA INC.	9,541	52,871	0.006
DAIWA SECU CAP MKTS KOREA CO.,LTD.	544	1,086	0.002
DANSKE BANK A/S	4,323	6,061	0.001
DAVY STOCKBROKERS	1,543	1,569	0.001
DERIVATIVES	36	0	0.000
DEUTSCHE BANK AG	970	408	0.000
DEUTSCHE BANK AG CUSTODY DEPARTMENT	1,127	13,680	0.012
DEUTSCHE BANK SECURITIES INC.	30,751	149,183	0.005
DEUTSCHE BANK SECURITITES	17,844	17,452	0.001
DEUTSCHE SECURITIES ASIA LIMITED	8,626	7,855	0.001
DEUTSCHE SECURITIES AUSTRALIA LTD	292	1,594	0.005
DNB BANK ASA	856	596	0.001
DNB MARKETS CUSTODY	223	1,866	0.008
DOUGHERTY & COMPANY LLC	2,000	1,703	0.001
DZ BANK AG DEUTSCHE ZENTRAL GENOSSE	3,531	7,048	0.002
ERSTE GROUP BANK AG	406	1,929	0.005
EXANE INC.	2,815	4,080	0.001
EXANE S.A.	3,763	13,368	0.004
FIDELITY CAP MKTS NEW YORK- DTC00226	18,031	26,535	0.001
FIDELITY CLEARING CANADA, ULC	271	29,511	0.109
FIRST CLEARING CORPORATION	23,919	53,050	0.002
FLEET SECURITIES	3,724	9,366	0.003
FRIEDMANBILLINGANDRAMSEY	1,415	3,328	0.002
FTN FINANCIAL SERVICES	132	0	0.000
GABELLI & COMPANY	337	885	0.003
GE CAPITAL FINANCEMENTS IMMOBILIERS	131	0	0.000
GMP SECURITIES, LLC	666	0	0.000
GOLDMAN SACHS (ASIA) L.L.C. SEOUL	1,558	779	0.000
GOLDMAN SACHS AND COMPANY	1,296	0	0.000
GOLDMAN SACHS BANK USA.	300	0	0.000
GOLDMAN SACHS DO BRASIL	310	21,475	0.069
GOLDMAN SACHS INTERNATIONAL	1,207	12,700	0.011

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
GOLDMAN, SACHS AND CO.	239,376	183,124	0.001
GOODBODY STOCKBROKERS	715	859	0.001
GUGGENHEIM CAPITAL, LLC	777	2,222	0.003
GUZMAN AND COMPANY	22,489	34,748	0.002
HANWHA SECURITIES SEOUL	91	27	0.000
HEIGHT SECURITIES LLC	2,673	1,111	0.000
HSBC (GLBL MRKTS EQUITIES OPERATION	60,418	1,000	0.000
HSBC BANK PLC	6,796	23,919	0.004
HSBC BANK USA, N.A.	27,058	51	0.000
HSBC BROKERAGE (USA) INC	3,103	15,370	0.005
HSBC SECURITIES (USA) INC.	30,180	1,368	0.000
HUNTINGTON NATIONAL BANK	91	0	0.000
HYUNDAI SECURITIES	1,101	2,197	0.002
INDST & COMM BANK OF CHINA	53,922	226,270	0.004
ING CAPITAL MARKETS LLC	637	0	0.000
INSTINET AUSTRALIA PTY LTD	231	230	0.001
INSTINET EUROPE LIMITED	5,416	68,141	0.013
INSTINET FRANCE S.A.	102	31	0.000
INSTINET INVESTMENT SERVICES LIMITE	63,499	144,375	0.002
INSTINET PACIFIC LIMITED	1,076	5,063	0.005
INSTINET, LLC	3,758	2,098	0.001
INTERMONTE SIM S.P.A.	416	1,838	0.004
INVESTEC BANK PLC	3,765	4,307	0.001
INVESTMENT TECHNOLOGY GROUP INC.	4,300	12,865	0.003
INVESTMENT TECHNOLOGY GROUP LTD.	4,698	59,670	0.013
ISI GROUP INC.	13,241	39,556	0.003
ITAU UNIBANCO S/A	2,766	4,618	0.002
ITAU USA SECURITIES INC.	534	975	0.002
ITG AUSTRALIA LIMITED	16	478	0.029
ITG HONG KONG LIMITED	499	1,701	0.003
ITG INC.	498	165	0.000
J P MORGAN SECS S'PORE PRIVATE LTD	272	273	0.001
J. P. MORGAN SECURITIES LLC	57,463	0	0.000
J.P. MORGAN SECURITIES (FAR EAST) L	237	1,560	0.007
J.P. MORGAN SECURITIES LLC	160,390	347,467	0.002
J.P. MORGAN SECURITIES PLC	7,973	85,119	0.011
JANNEY MONTGOMERY SCOTT NEW YORK	1,585	3,916	0.002

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
JB CAPITAL MARKETS SOCIEDAD DE VALO	342	683	0.002
JEFFERIES AND COMPANY, INC	360	0	0.000
JEFFERIES INTERNATIONAL LTD	391	16,739	0.043
JEFFERIES LLC	2,961	0	0.000
JEFFERIES LLC.	39,856	102,957	0.003
JMP SECURITIES	1,785	4,257	0.002
JNK SECURITIES INC	5,148	10,213	0.002
JOH. BERENBERG,GOSSLER UND CO.KG	1,658	35,678	0.022
JOHNSON RICE & COMPANY LLC	39,638	70,729	0.002
JONES TRADING INSTITUTIONAL SERVICE	225,791	229,235	0.001
JP MORGAN CHASE LONDON	1,667	0	0.000
JP MORGAN SECURITIES (TAIWAN) LTD	200	70	0.000
JP MORGAN SECURITIES AUSTRALIA LTD	223	658	0.003
JPMORGAN CHASE BANK, N.A	545	0	0.000
JPMORGAN CHASE BANK, N.A LONDON	104	0	0.000
JPMORGAN CHASE BANK, N.A.	13,194	0	0.000
JPMORGAN SECURITIES (ASIA PACIFIC)	900	7,346	0.008
KCG AMERICAS LLC	21	8	0.000
KEMPEN AND CO N.V.	391	989	0.003
KEPLER CAPITAL MARKETS	6,433	11,046	0.002
KEYBANK NATIONAL ASSOCIATION	3,468	6,506	0.002
KIM ENG SECURITIES HONG KONG LTD.	156	312	0.002
KIRTON BANK S.A. - BANCO MULTIPLO	1,459	3,129	0.002
KOREA INVESTMENTS AND SECURITIES CO	840	1,950	0.002
LARRAIN VIAL	128	103	0.001
LASALLE NATIONAL	1,696	0	0.000
LEERINK SWAN & COMPANY	2,637	1,462	0.001
LIBERUM CAPITAL INC	1,099	2,785	0.003
LIQUIDNET ASIA LIMITED	4,400	7,609	0.002
LIQUIDNET CANADA INC.	16	50	0.003
LIQUIDNET EUROPE LIMITED	383	9,150	0.024
LIQUIDNET INC	35,875	86,918	0.002
Longbow Securities	228	505	0.002
LOOP CAPITAL MARKETS LLC	212	0	0.000

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
LUMINEX TRADING AND ANALYTICS	752	386	0.001
MACQUARIE BANK LIMITED	7,654	57,777	0.008
MACQUARIE CAPITAL (EUROPE) LIMITED	3,195	6,647	0.002
MACQUARIE CAPITAL (USA) INC	640	320	0.000
MACQUARIE CAPITAL LIMITED	495	247	0.000
MACQUARIE SECURITIES KOREA LIMITED	1,873	936	0.000
MACQUARIE SECURITIES NEW ZEALAND LT	442	531	0.001
MACQUARIE SECURITIES USA INC	898	14,547	0.016
MAINFIRST BANK AG	963	1,461	0.002
MARKETAXESS CORP	2,114	0	0.000
MAXIM GROUP	757	207	0.000
MCDONALD CO.,SECURITIES,INC.	2,033	1,812	0.001
MEDIOBANCA SPA	552	663	0.001
MERRILL LYNCH CANADA, INC	335	811	0.002
MERRILL LYNCH FAR EAST LTD.	296	444	0.001
MERRILL LYNCH INTERNATIONAL LIMITED	1,607	91,167	0.057
MERRILL LYNCH PIECE FENNER & SMITH	29,706	68,951	0.002
MERRILL LYNCH SECURITIES TAIWAN LIM	1,138	342	0.000
MILLENNIUM ADVISORS, LLC	126	0	0.000
MITSUBISHI UFJ SECURITIES (USA),INC	10,000	11,126	0.001
MIZUHO CAPITAL MARKETS CORPORATION	1,930	2,360	0.001
MIZUHO SECURITIES USA INC.	3,881	28,080	0.007
MKM PARTNERS	687	3,495	0.005
MKM PARTNERS LLC	729	782	0.001
ML PROFESSIONAL CLEARING	60	0	0.000
MORGAN STANLEY	821	0	0.000
MORGAN STANLEY AND CO. INTERNATIONA	2,322	22,095	0.010
MORGAN STANLEY AND CO., LLC	68,618	427,485	0.006
MORGAN STANLEY AND CO.INTRNTAL PLC	3,821	4,880	0.001
MORGAN STANLEY TAIWAN LIMITED	353	329	0.001
NATIONAL FINANCIAL SERVICES LLC	3,914	7,701	0.002
NATIXIS	783	0	0.000
NATIXIS (BROKERAGE DIVISION)	91	635	0.007

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
NBC CLEARING SERVICES INCORPORATED	710	248	0.000
NBC SECURITIES NEW YORK	155	0	0.000
NEEDHAM AND COMPANY LLC	158	1,726	0.011
NESBITT BURNS	390	0	0.000
NOMURA FINANCIAL AND INVESTMENT (KO	282	704	0.002
NOMURA INTERNATIONAL TRUST COMPANY	2,851	0	0.000
NOMURA SECURITIES NEW YORK	248,495	10,181	0.000
NORTHERN TRUST COMPANY, THE	180,127	389,721	0.002
NORTHERN TRUST, NA IMLG 1775	2,016	0	0.000
NORTHLAND SECURITIES	41	1,557	0.038
NUMIS SECURITIES INC.	2,622	4,381	0.002
NUMIS SECURITIES LIMITED	1,124	13,360	0.012
ODDO ET CIE	962	8,448	0.009
OPPENHEIMER AND CO, INC.	3,465	6,078	0.002
OTR GLOBAL TRADING	951	753	0.001
PANMURE GORDON (UK) LIMITED	766	1,249	0.002
PAREL	1,188	1,705	0.001
PARETO FONDS A/S	420	2,066	0.005
PARIBAS SECURITIES (NY)	1,178	0	0.000
PEEL HUNT LLP	691	1,467	0.002
PERSHING LLC	7,039	61,056	0.009
PI FINANCIAL CORP	85	165	0.002
PIPER, JAFFRAY AND HOPWOOD	4,052	13,444	0.003
RAYMOND JAMES AND ASSOCIATES	8,165	51,067	0.006
RAYMOND JAMES LTD.	1,632	2,926	0.002
RBC CAPITAL MARKETS, LLC	19,160	160,616	0.008
RBC DOMINION SECURITIES	10,432	0	0.000
RBC DOMINION SECURITIES INC.	8,993	39,501	0.004
RBC EUROPE LIMITED	299	120	0.000
RBS SECURITIES INC.	73,105	0	0.000
REDBURN (EUROPE) LIMITED	2,962	5,536	0.002
RENAISSANCE MACRO SECURITIES	3,872	574	0.000
ROBERT W. BAIRD CO. INCORPORATED	1,899	58,361	0.031
ROSENBLATT SECURITIES LLC	1,788	17,655	0.010
ROTH CAPITAL PARTNERS	1,620	1,495	0.001
ROYAL BANK OF CANADA	0	0	0.000
RRILL LYNCH, PIERCE, FENNER AND SMI	1,296	0	0.000
SAMSUNG SECURITIES CO., LTD.	147	821	0.006
SANDLER O'NEIL & PARTNERS	1,449	1,217	0.001

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
SANFORD C. BERNSTEIN AND CO., LLC	4,198	59,715	0.014
SANFORD C. BERNSTEIN LTD	7,410	36,878	0.005
SANTANDER INVESTMENT BOLSA, S.V., S	998	0	0.000
SANTANDER INVESTMENT SECURITIES	420	0	0.000
SCOTIA CAPITAL USA INC	571	1,082	0.002
SCOTIAMCLEOD (U.S.A.) INC.	2,505	17,942	0.007
SCOTT AND STRINGFELLOW FINANCIAL	381	0	0.000
SEAPORT SECS NY	1,278	32	0.000
SG AMERICAS SECURITIES LLC	7,977	41,052	0.005
SG SECURITIES (HK) LIMITED	2,265	2,486	0.001
SIDOTI & COMPANY LLC	16,985	21,968	0.001
SIX SIS AG	5,231	0	0.000
SKANDINAVISKA ENSKILDA BANKEN	529	2,625	0.005
SKANDINAVISKA ENSKILDA BANKEN LONDO	258	387	0.001
SMBC NIKKO SECURITIES AMERICA, INC	663	10,380	0.016
SOCIETE GENERALE LONDON BRANCH	5,221	22,882	0.004
STATE STREET BANK AND TRUST CO.	3,176	0	0.000
STATE STREET BANK AND TRUST COMPANY	1,025	394	0.000
STATE STREET BK & TRST CO,N.A NW YK	75	4,078	0.055
STEPHENS INC.	33,705	43,775	0.001
STIFEL NICOLAUS & CO,INCORORATED	51,004	72,547	0.001
STRATEGAS SECURITIES LLC	1,291	2,425	0.002
SUMRIDGE PARNTERS LLC	875	0	0.000
SUNTRUST CAPITAL MKTS NEW YORK	177	0	0.000
SUNTRUST ROBINSON HUMPHREY, INC.	387	13,409	0.035
SVENSKA HANDELSBANKEN	1,099	3,277	0.003
TELSEY ADVISORY GROUP LLC	951	1,372	0.001
THE BANK OF NEW YORK MELLON	66,121	0	0.000
THE HSBC LTD	420	928	0.002
THEMIS TRADING LLC	4,682	30,639	0.007
TORONTO DOMINION BANK, THE	10,612	0	0.000

Brokers	Principal Traded (in 000's)	Sum of Commission Base	Commissions Per Share
TORONTO DOMINION SECURITIES INC	409	15,176	0.037
U.S. BANCORP INVESTMENTS, INC.	218	0	0.000
U.S. BANK	1,174	0	0.000
UBS AG	45	0	0.000
UBS AG LONDON BRANCH	3,504	13,820	0.004
UBS AG STAMFORD BRANCH	26,545	213,218	0.008
UBS LIMITED	7,991	125,316	0.016
UBS SECURITIES ASIA LIMITED	4,066	82,467	0.020
UBS SECURITIES CANADA INC.	2,202	13,192	0.006
US PHYSICALS	4,717	0	0.000
WALL ST ACCESS	5,192	3,607	0.001
WEDBUSH MORGAN SECURITIES	500	10,162	0.020
WEEDEN AND CO	3,179	9,606	0.003
WELLS FARGO BANK N.A	263	0	0.000
WELLS FARGO BANK, N.A.	15,390	156,637	0.010
WILLIAM BLAIR AND COMPANY	12,800	22,700	0.002
WOLFE RESEARCH SECURITIES	10,632	15,829	0.001
WOORI INVESTMENTS & SECS CO LTD	672	583	0.001
WUNDERLICH SECURITIES INC	551	297	0.001

Summary of Investments
June 30, 2017

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
Fixed Income:		
U S Government Securities	\$ 1,494,437,729	9.67%
Corporate Bonds	1,473,195,765	9.54%
International Bonds	418,987,601	2.71%
Total Fixed Income	<u>3,386,621,095</u>	<u>21.92%</u>
Equities:		
Domestic	6,657,100,007	43.09%
International	2,859,727,636	18.51%
Total Equities	<u>9,516,827,643</u>	<u>61.60%</u>
Other Investments		
Private Equity	1,134,939,460	7.35%
Real Estate	1,121,422,637	7.26%
Total Other Investments	<u>2,256,362,097</u>	<u>14.60%</u>
Short-Term Investments:		
Short-term Investments Northern Trust	244,866,062	1.58%
Money Markets	44,695,052	0.29%
Total Short-Term Investments	<u>289,561,114</u>	<u>1.87%</u>
Total Investments	<u><u>\$ 15,449,371,949</u></u>	<u><u>100.0%</u></u>



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA



Actuarial Section



October 25, 2017

Board of Trustees
Teachers' Retirement System of Oklahoma
Oliver Hodge Education Building
2500 N. Lincoln Boulevard, 5th Floor
Oklahoma City, Oklahoma 73105

SUBJECT: ACTUARIAL VALUATION AS OF JUNE 30, 2017

Dear Members of the Board:

At the request of the Teachers' Retirement System of Oklahoma (the System), Gabriel Roeder Smith & Company (GRS) has performed the actuarial valuation of the System. The information in the Actuarial Section is based on our annual actuarial valuation report, with the most recent valuation conducted as of June 30, 2017, and is intended to be used in conjunction with the full report.

This letter and the schedules listed below represent GRS' certification of the funded status as required for the financial report for the fiscal year ended June 30, 2017 for the System. In accordance with GASB Statement No. 67, GRS prepared the Sensitivity of the Net Pension Liability, the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios, the Schedule of Employer Contributions, and the Notes to Schedule of Contributions presented in the Financial Section of this report. In accordance with GASB Statement No. 74, GRS prepared the Sensitivity of the Net OPEB Liability, the Schedule of Changes in the Employers' Net OPEB Liability and Related Ratios, the Schedule of Employer Contributions, and the Notes to the Schedule of Contributions presented in the Financial Section of this report. Additionally, GRS prepared the Executive Summary, the Schedule of Increases and Decreases of Benefit Recipients, the Total Experience Gain or Loss, the Solvency Test, and the Schedule of Funding Progress presented in the Actuarial Section of this report. Full actuarial valuation reports have also been provided to the System.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented also comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code. The undersigned are independent actuaries. They are Enrolled Actuaries and Members of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems. They meet all of the Qualification Standards of the American Academy of Actuaries.

ACTUARIAL VALUATION

The primary purposes of the actuarial valuation are to determine the adequacy of the current employer contribution rates and the level of dedicated State revenue, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the actuarial valuation produces various summaries of the data.

FINANCING OBJECTIVES

The member, employer, and "grant matching" contribution rates, as well as the dedicated State revenue, are established by law. Members contribute 7.00% of covered compensation. The contribution rate for employers covered by the Education Employees Service Incentive Plan (EESIP) is 9.50%. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the contribution rate is 8.55%. No employer contribution rate changes are currently scheduled. There is also an additional contribution made by the comprehensive universities, the Initial Funding Surcharge, which is equal to 2.50% of the payroll for those employees who elect to join the Alternate Retirement Plan in lieu of joining the System. This contribution will continue through FY 2034 or until June 30 of the year in which the unfunded actuarial accrued liability of the participating institutions is reduced to zero, if earlier. In addition, the State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, individual income taxes, and lottery proceeds to the System. This percentage is currently 5.00%, and no changes are scheduled in this rate. Additionally, the System receives "grant matching" contributions from employers for positions whose funding comes from federal sources or certain grants. The matching contribution rate for FY 2017 was 7.70% and will increase to 7.80% for FY 2018.

For the fiscal year ending June 30, 2017, the dedicated State revenue plus the matching contribution was equivalent to a contribution rate of approximately 7.5% of covered payroll. However, because these contribution sources are unrelated to the covered payroll of the System, our outlook for the future contribution level from these sources also incorporates the prior four years of actual contributions, resulting in a five-year average of 7.7%. The Initial Funding Surcharge has been excluded from this outlook for future contribution levels since it will only be paid for a temporary period of time.

The employer payroll contribution—9.50% for most employers and 8.55% for the comprehensive and regional universities—is projected to average about 9.3% of payroll, so on a combined basis, we expect that the contributing entities will contribute 17.0% of covered payroll ($7.7\% + 9.3\% = 17.0\%$) in the future.

The dedicated State revenue along with the local and matching contributions, when combined with the contributions made by members, are intended to pay for the normal cost and to amortize the unfunded actuarial accrued liability of the System.

DEFERRED ASSET LOSSES/GAINS

The actuarial value of assets is based upon the market value (or, fair value), but asset gains and losses – earnings greater or less than the assumed annual investment return – are recognized at a rate of 20% per year for five years.

The market value of assets (also known as the fair value of assets) returned 14.7% for the fiscal year ending June 30, 2017. The actuarial value of assets had a smaller return of 9.0% due to the continued recognition of asset losses over the past few years but still exceeded the assumed rate of 7.50%. The excess return on an actuarial of assets basis resulted in an asset gain of almost \$218 million and a decrease in the System's funded ratio of about 1.0%. It should be noted that results based on the actuarial value, as well as the market value, provide important information about the financial health of the System.

The current actuarial value of \$15.516 billion is \$53 million higher than the market value of \$15.463 billion, and the actuarial value of assets is approximately 100.3% of the market value.

PROGRESS TOWARDS REALIZATION OF FINANCING OBJECTIVES

The unfunded actuarial accrued liability (UAAL) as of June 30, 2016 was \$7.615 billion based on the actuarial value of assets, and it decreased to \$6.538 billion this year. As a result, the System's funded ratio—actuarial value of assets divided by the actuarial accrued liability—increased from 65.7% to 70.4% as of June 30, 2017. If measured on the market value of assets, the funded ratio would decrease slightly to 70.1%. The increase from last year was due to several factors including the impact of an assumption change effective with this valuation, liability gains resulting largely from salaries increasing more slowly than assumed and more terminations than expected, as well as the asset gain mentioned earlier.

The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure alone is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

The period required to completely amortize the UAAL based upon the contribution schedule is called "the funding period." Based upon the current statutory contribution schedule and the market value (or fair value) of assets, the funding period decreased from 23 years as of June 30, 2016 to 17 years in the current valuation. The decrease from last year was due to several factors including the impact of an assumption change effective with this valuation, liability gains resulting largely from salaries increasing more slowly than assumed and more terminations than expected, as well as an asset gain. Based upon the current contribution and benefit provisions, assuming no actuarial gains or losses in the future, and assuming the market value of assets returns 7.5%, the UAAL is expected to trend steadily down to zero over the next 17 years.

BENEFIT PROVISIONS

Our actuarial valuation as of June 30, 2017 reflects the benefit and contribution provisions set forth in current statutes. There were no bills enacted during the 2017 State of Oklahoma legislative session that had an actuarial impact upon the System.

A summary of all major plan provisions contained within this valuation is included in the section titled “Summary of Plan Provisions”.

ACTUARIAL ASSUMPTIONS AND METHODS

Assumptions are set by the Board of Trustees, taking into account the recommendations of the System’s actuary. The System has an experience investigation study performed every fifth year. Except for certain economic assumptions and the election rate for the supplemental medical insurance benefit, the actuarial assumptions used in this valuation are based upon the 2014 Experience Investigation Study Report, dated May 13, 2015, measuring the experience investigation period FY2010 – FY2014. In September 2016, the Board adopted a decrease in the inflation rate from 3.00% to 2.50% resulting in corresponding 0.50% decreases in the investment return (8.00% to 7.50%), the wage inflation (3.75% to 3.25%) and the payroll growth rate (3.25% to 2.75%). In August 2017, the Board adopted a change in the election rate of the supplemental medical insurance benefit. Fifty percent of eligible members who are active or due a deferred vested benefit are assumed to elect the insurance benefit. For annuitants who began receiving a benefit in the year preceding the valuation date, 50% of those not already receiving the benefit are assumed to elect it. The liability for all other annuitants is based on the actual benefit being paid as shown in the data. The current actuarial assumptions were first utilized in the June 30, 2017 actuarial valuation report.

We believe the assumptions are internally consistent and reasonable, based on the actual experience of the System, and meet the parameters set by Actuarial Standards of Practice issued by the Actuarial Standards Board. The actuarial assumptions and methods used to develop the Schedule of Changes in the Employers’ Net Pension Liability and Related Ratios and the Schedule of Employer Contributions, noted above, meet the parameters set forth for the disclosures presented in the Financial Section by Government Accounting Standards Board Statement No. 67.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods.

A summary of the actuarial methods and assumptions incorporated into this valuation is included in the section titled “Summary of Actuarial Assumptions and Methods”.

Data

Member data for retired, active, and inactive participants was supplied as of June 30, 2017 by the System's staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information as of June 30, 2017 was supplied by the auditors and by the System's staff. GRS is not responsible for the accuracy or completeness of the information provided to us.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Mark R. Randall, FCA, MAAA, EA
Chief Executive Officer



R. Ryan Falls, FSA, EA, MAAA
Senior Consultant



Brad Stewart, ASA, EA, MAAA
Consultant

Executive Summary

Item	2017	2016
Membership		
• Number of		
- Active members	87,795	90,167
- Retirees and beneficiaries	62,391	60,680
- Inactive, vested	11,796	11,066
- Inactive, nonvested	13,070	11,450
- Total	175,052	173,363
• Payroll	\$ 4,116 million	\$ 4,255 million
Statutory contribution rates	FY 2018	FY 2017
• Employers in EESIP	9.50%	9.50%
• Regional universities	8.55%	8.55%
• Federal/grant salaries	7.80%	7.70%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.00%	5.00%
Assets		
• Market value	\$ 15,463 million	\$ 13,814 million
• Actuarial value	\$ 15,516 million	\$ 14,578 million
• Return on market value	14.7%	-2.2%
• Return on actuarial value	9.0%	8.0%
• State/local/federal contributions	\$ 705 million	\$ 725 million
• External cash flow %	-2.3%	-2.0%
• Ratio of actuarial to market value	100.3%	105.5%
Actuarial Information on Actuarial Value		
• Normal cost %	10.34%	10.47%
• Unfunded actuarial accrued liability (UAAL)	\$ 6,538 million	\$ 7,615 million
• Funded ratio	70.4%	65.7%
• Funding period (years)	17	20
Actuarial Information on Market Value		
• Unfunded actuarial accrued liability (UAAL)	\$ 6,591 million	\$ 8,379 million
• Funded ratio	70.1%	62.2%
• Funding period (years)	17	23
Gains/(losses)		
• Asset experience	\$ 218 million	(\$7) million
• Liability experience	395 million	198 million
• Benefit changes	0 million	0 million
• Legislative Changes	0 million	0 million
• Assumption Changes	482 million	(933) million
• Total	\$ 1,095 million	(\$742) million

Schedule of Active Member Valuation Data Periods Ended June 30

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
2008	88,678	3,751,436,376	42,304	3.60%
2009	89,388	3,807,914,178	42,600	0.70%
2010	89,896	3,854,772,123	42,880	0.66%
2011	88,085	3,773,283,867	42,837	-0.10%
2012	87,778	3,924,843,696	44,713	4.38%
2013	89,333	3,933,056,084	44,027	-1.53%
2014	89,570	4,002,883,716	44,690	1.51%
2015	90,388	4,231,846,057	46,819	4.76%
2016	90,167	4,254,783,265	47,188	0.79%
2017	87,795	4,115,686,767	46,878	-0.66%

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption.

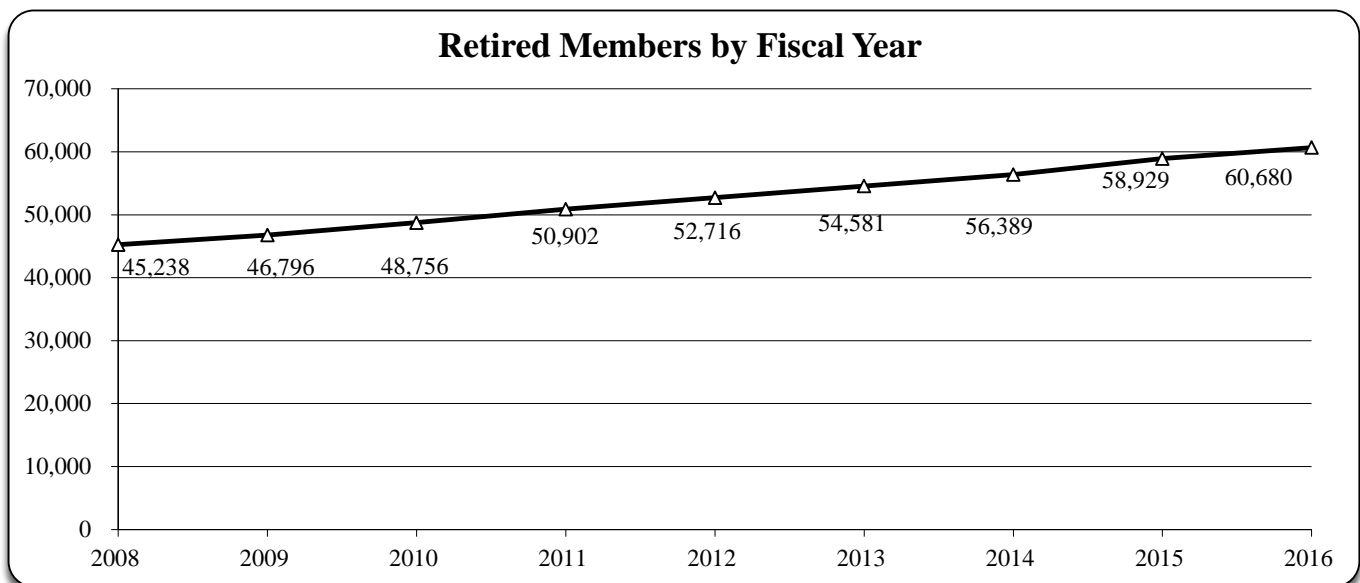
The following table provides the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2017. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

1% Decrease	Current Single Rate	1% Increase
6.50%	Assumption	8.50%
\$9,139,040,005	\$6,635,408,971	\$4,539,581,835

Schedule of Increases and Decreases of Benefit Recipients Periods Ended June 30

Year Ended	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls-End of Year</u>		% Increase in Annual <u>Allowances</u>	Average Annual <u>Allowances</u>
	<u>No.</u>	<u>Annual Allowances*</u>	<u>No.</u>	<u>Annual Allowances</u>	<u>No.</u>	<u>Annual Allowances</u>		
2008	2,807	46,858,028	1,075	8,758,271	45,238	764,544,746	5.2%	16,900
2009	2,593	77,839,485	1,035	7,161,393	46,796	835,222,838	9.2%	17,848
2010	2,906	47,150,133	946	7,952,632	48,756	874,420,339	4.7%	17,935
2011	2,960	71,573,599	814	6,358,676	50,902	939,635,263	7.5%	18,460
2012	3,003	59,122,021	1,189	10,098,394	52,716	988,658,890	5.2%	18,754
2013	3,305	76,049,460	1,440	22,392,434	54,581	1,042,315,916	5.4%	19,097
2014	3,208	74,367,565	1,400	22,188,183	56,389	1,094,495,298	5.0%	19,410
2015	4,053	96,652,350	1,513	24,486,087	58,929	1,166,661,561	6.6%	19,798
2016	3,420	83,343,346	1,669	27,476,789	60,680	1,222,528,118	4.8%	20,147
2017	3,323	79,639,291	1,612	26,725,994	62,391	1,275,441,415	4.3%	20,443

* Includes post-retirement increases for members who retired in previous years and changes occurring due to plan options which offer a continuing monthly benefit payment to beneficiaries.



Investment Experience Gain or Loss

Item (1)	Year Ending June 30, 2017 (2)	Year Ending June 30, 2016 (3)
1. Actuarial assets, beginning of year	\$ 14,577,868,730	\$ 13,771,884,292
2. Contributions during year	\$ 998,158,208	\$ 1,019,884,306
3. Benefits and refunds paid	\$ (1,353,070,031)	\$ (1,293,386,537)
4. Administrative expenses	\$ (4,054,537)	\$ (4,458,337)
5. Assumed net investment income at 7.5%:		
a. Beginning of year assets	\$ 1,093,340,155	\$ 1,101,750,743
b. Contributions	37,430,933	40,795,372
c. Benefits and refunds paid	(50,740,126)	(51,735,461)
d. Administrative expenses	(152,045)	(178,333)
e. Total	\$ 1,079,878,917	\$ 1,090,632,321
6. Expected actuarial assets, end of year (Sum of Items 1 through 4)	\$ 15,298,781,287	\$ 14,584,556,045
7. Actual actuarial assets, end of year	\$ 15,516,340,027	\$ 14,577,868,730
8. Asset gain (loss) for year (Item 6 - Item 5)	\$ 217,558,740	\$ (6,687,315)

Solvency Test

The system's funding objective is to meet long term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one way of evaluating a system's progress under its funding program. In a short-term solvency test, the plan's present assets are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retirees;
3. The liabilities for terminated employees with vested benefits; and
4. The liabilities for service already rendered by active members.

In a system that has been following the level contribution rate of payroll financing principle, the liabilities for active member contributions on deposit (liability 1), the liabilities for future benefits to present retirees (liability 2), and the liabilities for terminated employees with vested benefits (liability 3) will be fully covered by present assets except in rare circumstances. In addition, the liabilities for service already rendered by active members (liability 4) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 4 will increase over time. Following is a summary of the solvency test:

Table 12

Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

June 30,	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits		Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Assets			
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll		(1)	(2)	(3)	(4)
2008	\$ 4,323.0	115%	\$ 8,919.6	238%	\$ 370.1	10%	\$ 4,734.2	126%	\$ 9,256.8	100%	55%	0%	0%
2009	4,563.9	120%	9,312.4	245%	398.1	10%	4,676.6	123%	9,439.0	100%	52%	0%	0%
2010	4,743.9	123%	10,216.3	265%	419.2	11%	4,601.2	119%	9,566.7	100%	47%	0%	0%
2011	4,931.4	131%	9,316.6	247%	379.9	10%	2,932.9	78%	9,960.6	100%	54%	0%	0%
2012	5,087.4	130%	9,814.2	250%	443.8	11%	3,242.6	83%	10,190.5	100%	52%	0%	0%
2013	5,252.6	134%	10,315.6	262%	469.3	12%	2,935.7	75%	10,861.1	100%	54%	0%	0%
2014	5,221.1	130%	10,780.2	269%	726.8	18%	2,847.5	71%	12,369.0	100%	66%	0%	0%
2015	5,377.9	127%	11,499.9	272%	534.3	13%	3,280.5	78%	13,771.9	100%	73%	0%	0%
2016	5,494.8	129%	12,466.8	293%	610.9	14%	3,620.7	85%	14,577.9	100%	73%	0%	0%
2017	5,572.8	135%	12,602.9	306%	651.1	16%	3,227.3	78%	15,516.3	100%	79%	0%	0%

Note: Dollar amounts in millions

Schedule of Funding Progress
(As required by GASB #25)

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial		Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
			Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2008	\$9,256.8	\$18,346.9	\$9,090.1	50.5%	\$3,751.4	242.3%
June 30, 2009	\$9,439.0	\$18,950.9	\$9,512.0	49.8%	\$3,807.9	249.8%
June 30, 2010	\$9,566.7	\$19,980.6	\$10,414.0	47.9%	\$3,854.8	270.2%
June 30, 2011	\$9,960.6	\$17,560.8	\$7,600.2	56.7%	\$3,773.3	201.4%
June 30, 2012	\$10,190.5	\$18,588.0	\$8,397.6	54.8%	\$3,924.8	214.0%
June 30, 2013	\$10,861.1	\$18,973.2	\$8,112.1	57.2%	\$3,933.1	206.3%
June 30, 2014	\$12,369.0	\$19,575.6	\$7,206.6	63.2%	\$4,002.9	180.0%
June 30, 2015	\$13,771.9	\$20,692.6	\$6,920.7	66.6%	\$4,231.8	163.5%
June 30, 2016	\$14,577.9	\$22,193.4	\$7,615.6	65.7%	\$4,254.8	179.0%
June 30, 2017	\$15,516.3	\$22,054.1	\$6,537.8	70.4%	\$4,115.7	158.9%

Note: Dollar amounts in millions

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Fiscal year ending June 30,	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 446,728,754	\$ 428,904,761	\$ 415,702,261	\$ 409,199,801
Interest	1,599,025,933	1,609,511,334	1,538,893,982	1,491,722,137
Benefit Changes	0	0	0	0
Difference between actual & expected experience	(373,928,623)	(36,212,168)	(159,980,414)	(105,344,633)
Assumption Changes	(482,042,966)	933,294,515	346,488,630	0
Benefit Payments	(1,281,816,606)	(1,257,276,705)	(1,201,350,907)	(1,153,051,607)
Refunds	(40,944,298)	(36,109,832)	(35,240,176)	(28,718,256)
Net Change in Total Pension Liability	<u>\$ (132,977,806)</u>	<u>\$ 1,642,111,905</u>	<u>\$ 904,513,376</u>	<u>\$ 613,807,442</u>
Total Pension Liability - Beginning	<u>21,758,361,853</u>	<u>20,551,132,567</u>	<u>19,646,619,191</u>	<u>19,032,811,749</u>
Total Pension Liability - Ending (a)	<u><u>\$ 21,625,384,047</u></u>	<u><u>\$ 22,193,244,472</u></u>	<u><u>\$ 20,551,132,567</u></u>	<u><u>\$ 19,646,619,191</u></u>
Plan Fiduciary Net Position				
Contributions - Employer/State	\$ 698,695,713	\$ 725,425,216	\$ 728,442,070	\$ 707,052,675
Contributions - Member	292,949,337	294,459,090	303,677,304	301,300,811
Net Investment Income	1,945,898,975	(357,443,247)	428,855,748	2,571,707,952
Benefit Payments	(1,281,816,606)	(1,257,276,705)	(1,201,350,907)	(1,153,051,607)
Refunds	(40,944,298)	(36,109,832)	(35,240,176)	(28,718,256)
Administrative Expense	(4,028,080)	(4,458,337)	(4,358,938)	(4,282,605)
Other	0	0	0	0
Net Change in Plan Fiduciary Net Position	<u>\$ 1,610,755,041</u>	<u>\$ (635,403,815)</u>	<u>\$ 220,025,101</u>	<u>\$ 2,394,008,970</u>
Plan Fiduciary Net Position - Beginning	<u>13,379,220,035</u>	<u>14,449,506,469</u>	<u>14,229,481,368</u>	<u>11,835,472,398</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 14,989,975,076</u></u>	<u><u>\$ 13,814,102,654</u></u>	<u><u>\$ 14,449,506,469</u></u>	<u><u>\$ 14,229,481,368</u></u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 6,635,408,971</u>	<u>\$ 8,379,141,818</u>	<u>\$ 6,101,626,098</u>	<u>\$ 5,417,137,823</u>
Plan Fiduciary Net Position as a Percentage				
of Total Pension Liability	69.32 %	62.24 %	70.31 %	72.43 %
Covered Employee Payroll	\$ 4,070,723,673	\$ 4,206,558,429	\$ 4,338,247,200	\$ 4,304,297,300
Net Pension Liability as a Percentage				
of Covered Employee Payroll	163.00 %	199.19 %	140.65 %	125.85 %

Notes to Schedule:

The covered employee payroll is an estimate of the actual payroll, imputed from individual member contributions.

The assumption change in fiscal year 2015 is attributable to the new assumptions adopted by the Board in May 2015.

The assumption change in fiscal year 2016 is attributable to the new economic assumptions adopted by the Board in September 2016.

The beginning balances for the total pension liability and the plan fiduciary net position were both restated as of June 30, 2016 to remove \$434,882,619 which will be reported as an OPEB going forward.

The assumption change in fiscal year 2017 is attributable to the change in assumed election rate for the Supplemental Medical Insurance benefit adopted by the Board in August 2017.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions

FY Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$602,936,966	\$707,052,675	\$ (104,115,709)	\$ 4,304,297,300	16.43%
2015	550,652,420	728,442,070	(177,789,650)	4,338,247,200	16.79%
2016	723,528,050	725,425,216	(1,897,166)	4,206,558,429	17.25%
2017	689,580,590	698,695,713	(9,115,123)	4,070,723,673	17.16%

Notes to Schedule of Contributions

Valuation Date: June 30, 2017

Notes Members and employers contribute based on statutorily fixed rates. The State of Oklahoma contributes 5.0% of revenues from sales taxes, use taxes, corporate and individual income taxes, and lottery proceeds. An additional contribution is made for members whose salary is paid from federal funds or certain grant money.

Beginning with the fiscal year ending June 30, 2016, the Actuarially Determined Employer Contribution (ADEC) is determined as the employer contribution amount necessary to discharge the Unfunded Actuarial Accrued Liability over a period equal to the funding period for the current actuarial valuation for plan funding purposes (i.e., 20 years as of June 30, 2016). However, in no event shall the amortization period be in excess of a fixed period of twenty (20) years. ADEC rates are calculated as of June 30.

Beginning with the fiscal year ending June 30, 2017, an actuarially determined portion of the employers' contributions (0.16% of pay for FY2017) is allocated to the OPEB Subaccount and reported under GASB 74. As a result, these contributions are not included in either the actual or actuarially determined contributions above.

The ADEC was previously determined as the total employer contribution necessary to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 30 years.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Composed of 2.50% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
Mortality	RP-2000 Combined Mortality Table for males with White Collar Adjustments with fully generational projection by Scale BB from the table's base year of 2000. For females, the GRS Southwest Region Teacher Mortality Table, scaled at 105%, with fully generational projection by Scale BB from the table's base year of 2012.

Summary of Plan Provisions

1. Effective Date: July 1, 1943.
2. Plan Year: Twelve-month period ending June 30th.
3. Administration: The Teachers' Retirement System of Oklahoma is administered by a Board of Trustees, which is responsible for administration of the System and investment of System assets. Four members serve ex officio, while a total of ten others are appointed by the Governor (six), the President of the Senate (two), and the Speaker of the House (two), according to various guidelines. Additionally, a statewide organization representing retired educators shall appoint a member to the Board who shall be a nonvoting member.
4. Type of Plan: The System is a qualified governmental defined benefit retirement plan. For GASB purposes, it is a cost-sharing multiple-employer PERS.
5. Eligibility: All employees of any public school in Oklahoma, including public colleges and universities, are eligible to participate in the System. Classified personnel (teachers, supervisors, principals, registered school nurses, administrators, etc.) are required to participate, beginning at their date of employment. Non-classified employees (all other employees, such as drivers, secretaries, janitors, cooks, etc.) may, but are not required to, participate. Certain other State employees, such as employees of the System itself, participate in the System. Beginning July 1, 2004, new employees hired by the comprehensive universities (Oklahoma University, the Health Sciences Center, and Oklahoma State University) may elect to join an alternate plan provided by the universities in lieu of joining OTRS. The election to join the alternate plan is irrevocable.
6. Maximum Pay: Prior to July 1, 1995, contributions under this System were based on pay up to a maximum dollar amount. Members could choose between a \$40,000 maximum and a \$25,000 maximum. The member's Final Average Compensation was limited by this same maximum, so the member's election affected both benefits and contributions.

The maximum was removed for most members effective July 1, 1995. It no longer applies in determining the required member and employer contributions. It does still have an impact, however. As noted below, benefits based on service earned before July 1, 1995 are limited by the \$40,000 or \$25,000 maximum, whichever was elected. This cap may be modified for members in the Education Employees Service Incentive Plan (EESIP). See Item 22 below discussing the EESIP provisions.

In addition, the cap on salary continued to apply after June 30, 1995 to members employed by one of the comprehensive universities who entered the System before July 1, 1995. The cap on salary for contribution purposes is shown in the schedule below. All caps were removed effective July 1, 2007.

	Elected \$40,000 Maximum	Elected \$25,000 Maximum
1995/1996	\$44,000	\$27,500
1996/1997	49,000	32,500
1997/1998	54,000	37,500
1998/1999	59,000	42,500
1999/2000	59,000	42,500
2000/2001	64,000	47,500
2001/2002	69,000	52,500
2002/2003	74,000	57,500
2003/2004	79,000	62,500
2004/2005	84,000	67,500
2005/2006	89,000	72,500
2006/2007	94,000	77,500
Thereafter	No limit	No limit

Benefits for the members employed by the comprehensive universities, except for those hired on or after July 1, 1995, are limited by the pay caps for the period before July 1, 2007.

7. Member Contributions: Generally, active members contribute 7.00% of all compensation to the System. A school district may pay all or part of the contribution for its employees.
8. Employer Contributions: Employers are required to contribute a fixed percentage of pay on behalf of active members. The employer contribution rate is now applied to all pay, although historically the rate was not applied to pay above the cap on salary.

The employer contribution rate for years from July 1, 2002 through December 31, 2006 was 7.05% of covered salary. Effective January 1, 2007, the employer contribution rate paid by all employers covered by the EESIP increased to 7.60%. This rate then increased to 7.85% effective July 1, 2007, 8.35% effective January 1, 2008, 8.50% effective July 1, 2008, 9.00% effective January 1, 2009, and 9.50% effective January 1, 2010. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the rate increased to 7.55% effective January 1, 2008, 8.05% effective January 1, 2009, and 8.55% effective January 1, 2010.

In addition, the State of Oklahoma contributes 5.00% percent of revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The 5.00% rate became effective on July 1, 2007. The rates are shown in the following schedule on the next page.

Fiscal Year	State Contribution Percentage
FY 2003	3.54%
FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.00%
FY 2007	4.50%
FY 2008	5.00%
Thereafter	5.00%

Beginning in FY 2006, the State also contributes 5.00% of lottery proceeds.

If a member's salary is paid from federal funds or certain grant money, an additional contribution (the grant matching contribution) is required. The matching contribution rate is set by the Board of Trustees annually and is expressed as a percentage of federal/grant salaries.

Fiscal Year	Federal/Grant Contribution Percentage
FY 2003	5.00%
FY 2004 to 2005	4.50%
FY 2006	5.00%
FY 2007 to 2008	7.00%
FY 2009 to 2010	7.50%
FY 2011	6.50%
FY 2012	7.00%
FY 2013	8.00%
FY 2014 to 2016	8.25%
FY 2017	7.70%
FY 2018	7.80%

9. Service: Employees receive credit for a year of service if they are contributing members for at least six months within one school year. For service performed on or after July 1, 2013, fractional service will be awarded for less than full-time employment performed during the contract year. Fractional service credit will be added together and the resulting sum will be included in the retirement formula calculations. For service performed on or after July 1, 2016 service credit awarded for all members will be the result of the days the employee worked during the employment year divided by the days the full-time equivalent for that position would be required to work during the entire employment year.

Credit may also be granted for service prior to the System's effective date, and non-classified employees can purchase credit for their prior service once they have joined the System. Credit is also available for some out-of-state and military service under certain circumstances.

Finally, members receive a year of service credit if they have accumulated 120 days of unused sick leave at termination. As of August 1, 2012, if a member has less than 120 days of unused sick leave at termination, additional service credit for sick leave days shall be equal to the number of unused sick leave days divided by 120 days.

10. Final Average Compensation (FAC): The average of the member's compensation for the three or five years on which the highest contributions are paid. For persons becoming members before July 1, 1992, the averaging period is three years. For other members, the averaging period is five years. For service prior to July 1, 1995, the FAC is limited to \$40,000 or \$25,000, depending on the member's election and participation in the EESIP as discussed in Item 6 above and in Item 22.

11. Normal Retirement

- a. Eligibility: A member is eligible to retire and receive a Normal Retirement benefit if (i) the member is at least age 62 and has credit for five or more years of service, or (ii) the sum of the member's age and service is at least 80 (Rule of 80). For members joining after June 30, 1992, a "Rule of 90" is used instead of the "Rule of 80". Members joining after October 31, 2011 are eligible if (i) the member is at least age 65 and has credit for five or more years of service, or (ii) the member is at least age 60 and meets the "Rule of 90". Members joining after October 31, 2017 must have credit for seven or more years of service.
- b. Monthly Benefit: 2% of FAC (limited to \$40,000 or \$25,000, as appropriate) times years of service prior to July 1, 1995, plus 2% of FAC (unlimited) times years of service after June 30, 1995. Special provisions apply to members covered by the EESIP (see Item 22 below). Other special provisions apply to higher education members for service during the period July 1, 1995 through June 30, 2007 if their pay in any year in this period exceeded the applicable maximum. Monthly benefits are equal to one-twelfth of the calculated amount.
- c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. This payment form is referred to as the "Maximum Option" since it initially provides the largest annuity. Optional forms of payment are available; see below.

12. Early Retirement

- a. Eligibility: A member is eligible to retire early if the member is at least age 55 and has credit for five or more years of service, or at any age after 30 years of service. For members joining after October 31, 2011, a member is eligible to retire early if the member is at least age 60 and has credit for five or more years of service. Members joining after October 31, 2017 must have credit for seven or more years of service.
- b. Monthly Benefit: The Normal Retirement benefit (based on current years of service) multiplied by the applicable early retirement factor below.

c. Early Retirement Factor:

Retirement Age	Actuarial Equivalent Factors for Members Joining before November 1, 2011	Statutory Factors for Members Joining after October 31, 2011
65 or later	1.000000	1.00
64	1.000000	0.93
63	1.000000	0.86
62	1.000000	0.80
61	0.907808	0.73
60	0.825271	0.65
59	0.751219	N/A
58	0.684644	N/A
57	0.624673	N/A
56	0.570554	N/A
55	0.521634	N/A
54	0.477344	N/A
53	0.437186	N/A
52	0.400720	N/A
51	0.367562	N/A
50	0.337374	N/A

d. Payment Form: Same as for Normal Retirement above.

13. Disability Retirement

- a. Eligibility: A member is eligible provided (i) he/she has credit for at least 10 years of service and (ii) the disability is either approved by the Medical Board appointed by the Board of Trustees, or the member is determined to be eligible for disability benefits pursuant to the Social Security System.
- b. Monthly Benefit: Same as for Normal Retirement above (based on current service).
- c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits are reduced or cease entirely upon recovery or reemployment prior to age 60. Disability benefits are payable as a monthly life annuity, with a guarantee that if the payments made do not exceed the sum of the member's accumulated contributions as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. A married, disabled member may elect a reduced benefit under the Joint & 100% Survivor option (with pop up) form of payments (Option 2 described in Item 17 below).

14. Vested Termination Benefit

- a. Eligibility: A member with at least 5 years of service who does not withdraw his/her contributions from the fund is eligible for a vested termination benefit. Members joining after October 31, 2017 must have credit for seven or more years of service.
- b. Monthly Benefit: Same as for Normal Retirement above (based on current service). If benefits commence prior to age 62 (age 65 for members joining after October 31, 2011), they may be reduced for Early Retirement above.
- c. Payment Form: Same as for Normal Retirement above.

15. Withdrawal (Refund) Benefit

- a. Eligibility: All members leaving covered employment with less than 5 years of service for a reason other than the member's death. Optionally, members eligible for other benefits may withdraw their contributions in lieu of the regular benefits due.
- b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee contributions, plus a portion of the interest credited by the System on these contributions. Interest is credited at an annual rate of 8%. The portion of the interest paid on termination depends on the member's years of service as follows:

Years of Service	Percent of Interest Refunded
0-15	50%
16-21	60%
22-25	75%
26 or more	90%

16. Death in Service

- a. Eligibility: Death must have occurred while an active member.
- b. Benefit: Upon the death of an active member, a refund of the member's contributions and 100% of the interest credited is paid. In addition, a lump sum of \$18,000 will be paid. If the member is eligible for retirement (early or normal) at the time of death, and the member is married, the spouse may elect to receive a monthly life annuity equal to the retirement benefit for which the member was eligible, reduced as though the member had elected to receive benefits under Option 2 (see below). This annuity is paid in lieu of both (i) the \$18,000 lump-sum death benefit and (ii) the refund of contributions.

The spouse of an EESIP eligible member can elect to receive the enhanced benefit described under Item 22 below.

17. Optional Forms of Payment: In addition to the “Maximum Option” described under Normal Retirement, above, there are optional forms of payment available on an actuarially equivalent basis, as follows:
- a. Option 1 - A modified cash refund annuity payable for life with a guaranteed refund of the member's contributions and interest, less the total of the “annuity” payments paid. (The “annuity” payment is the portion of the monthly benefit provided by the member’s own account balance.)
 - b. Option 2 - A joint life annuity payable while both the member and the joint annuitant are alive; and if the member dies before the joint annuitant, continuing without change to the joint annuitant; or if the joint annuitant dies before the member, “popping-up” to the original life annuity amount and continuing for the life of the member.
 - c. Option 3 - A joint life annuity payable while both the member and the joint annuitant are alive; and if the member dies before the joint annuitant, continuing at 50% of this amount for the joint annuitant's lifetime; or if the joint annuitant dies before the member, “popping-up” to the original life annuity amount and continuing for the life of the member.
 - d. Option 4 - A life annuity with a guarantee that if the member dies before 120 payments (10 years) have been made; the payments will be continued to the member's beneficiary for the balance of the ten-year period.
 - e. PLSO Option - A partial lump-sum option (PLSO) is allowed for those members with at least 30 years of service upon retirement. The amount of the PLSO is equal to 12, 24, or 36 times the member’s monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided. A member who elects a PLSO may elect any of the other optional forms of payment as well, taking a further reduction in the annuity amount.
- Actuarial equivalence is based on tables adopted by the Board of Trustees.
18. Special Retirees: This is a group of retirees who have been granted a special \$150 per month benefit although they did not fulfill the requirements for service retirement. With cost of living increases, the special retirees now average \$195 per month.

19. Supplemental Medical Insurance

- a. Eligibility: All retired members (including service retirees and disabled retirees but excluding the special retirees and spouses or beneficiaries) who have at least 10 years of service credit are eligible for a supplemental medical insurance payment.
- b. Monthly Benefit: Eligible members receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between \$100 and \$105 per month, depending on service and Final Average Compensation.
- c. Payment Form: Benefits are payable as a life annuity on behalf of the retired member to (i) the Oklahoma Employees' Group Insurance Plan, if the member has health coverage under this Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer.

20. Post-retirement Death Benefit

- a. Eligibility: All retired members (including service retirees and disabled retirees but excluding the special retirees and spouses or beneficiaries) are eligible for a post-retirement death benefit.
- b. Benefit: A lump-sum payment of \$5,000.

21. Cost-of-living Increase: From time to time, the System has been amended to grant certain post-retirement benefit increases. However, the System has no automatic cost-of-living increase features.

22. EESIP: The Education Employees Service Incentive Plan (EESIP) was created in 2006. Active members are eligible for the EESIP if they have service prior to July 1, 1995, are active on or after July 1, 2006, and are not employed by one of the comprehensive or regional four-year universities.

The EESIP allows for two years of service prior to July 1, 1995 to be computed at an enhanced or eliminated cap for each year that the employee has worked beyond Normal Retirement Age at the time of retirement.

For each "uncapped" year, the \$40,000 cap applicable to service before July 1, 1995 is increased to \$60,000 for retirements in FY 2007, to \$80,000 for retirements in FY 2008, and the cap is removed beginning July 1, 2008. The employee that elects the enhanced benefit must pay the accumulations, at 10% interest, of contributions that would have been required but for the cap then in place. Payment is required only for years FY 1988 through FY 1995 even if more than 8 years of service prior to July 1, 1995 are being "uncapped." Payment is required only for those years of service that are computed at an elevated or eliminated cap.

Contributions are required at the following rates for salary in excess of the \$25,000 or \$40,000 cap earned in years FY 1998 through FY 1995:

Fiscal Year	Contribution Percentage
FY 1995	8.00%
FY 1994	9.00%
FY 1993	11.00%
FY 1992	11.00%
FY 1991	11.00%
FY 1990	10.50%
FY 1989	10.00%
FY 1988	10.00%

For those members electing the enhanced benefit, the payment required is 50% of the accumulated balance in FY 2007, 75% of the accumulated balance in FY 2008 and 100% of the accumulated balance on or after FY 2009.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Employers' Net OPEB Liability and Related Ratios

Fiscal year ending June 30,	<u>2017</u>
Total OPEB liability	
Service cost	\$ 6,647,749
Interest on the total OPEB liability	31,728,895
Changes of benefit terms	0
Difference between expected and actual experience	(14,186,133)
Changes of assumptions	0
Benefit payments, including refunds of employee contributions	(30,309,127)
Net change in total OPEB liability	(6,118,616)
Total OPEB liability - beginning	434,882,619
Total OPEB liability - ending (a)	<u>\$ 428,764,003</u>
Plan fiduciary net position	
Employer contributions	\$ 6,513,158
Employee contributions	0
OPEB plan net investment income	62,298,028
Benefit payments, including refunds of employee contributions	(30,309,127)
OPEB plan administrative expense	(26,457)
Other	0
Net change in plan fiduciary net position	38,475,602
Plan fiduciary net position - beginning	434,882,619
Plan fiduciary net position - ending (b)	<u>\$ 473,358,221</u>
Net OPEB liability - ending (a) - (b)	<u>\$ (44,594,218)</u>
Plan fiduciary net position as a percentage of total OPEB liability	110.40 %
Covered-employee payroll	\$ 4,070,723,673
Net OPEB liability as a percentage of covered-employee payroll	(1.10)%

Notes to Schedule:

-- The covered employee payroll is an estimate of the actual payroll, imputed from individual employer contributions.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$ 6,513,158	\$ 6,513,158	\$ 0	\$ 4,070,723,673	0.16 %

Notes to Schedule of Contributions

Valuation Date: June 30, 2017

Notes The ADEC is the amount needed to fund the normal cost, the anticipated administrative expenses, and a payment towards eliminating the Unfunded Actuarial Accrued Liability (UAAL). The payment towards eliminating the UAAL is based on an closed period of twenty (20) years calculated as a level percentage of future payroll with the initial period beginning on July 1, 2016.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	20 years beginning on July 1, 2016
Asset Valuation Method	Market
Inflation	2.50%
Salary Increases	Composed of 2.50% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates based on age, service, and tier.
Mortality	RP-2000 Combined Mortality Table for males with White Collar Adjustments with fully generational projection by Scale BB from the table's base year of 2000. For females, the GRS Southwest Region Teacher Mortality Table, scaled at 105%, with fully generational projection by Scale BB from the table's base year of 2012.
Health Care Trend Rates	Due to the nature of the benefit, health care trend rates are not applicable to the calculation of contribution rates.
Expenses	Administrative expenses are explicitly included in the ADEC. Investment expenses are paid through investment returns.

Summary of Actuarial Assumptions and Methods

I. Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

Because the employer contribution rate is set by statute, the actuarial valuation is used to determine the number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL), or the funding period.

The Individual Entry Age Normal actuarial cost method assigns the plan's total unfunded liabilities (the actuarial present value of future benefits less the actuarial value of assets) to various periods. The unfunded actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are the normal costs that will be recognized in future years. The resulting actuarially determined contribution requirement is composed of (i) the applicable year's normal cost, plus (ii) a payment intended to reduce the unfunded actuarial accrued liability.

The normal contribution is determined using the Individual Entry Age Normal method. Under this method, a calculation is made to determine the rate of contribution which, if applied to the compensation of each individual member during the entire period of anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. The salary-weighted average of these rates is the normal cost rate. This calculation reflects the plan provisions that apply to each individual member. The employer normal cost rate is equal to (i) the normal cost rate, plus (ii) the expected administrative expenses, minus (iii) the member contribution rate.

The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets.

The funding period is calculated as the number of years required to fully amortize the UAAL, assuming that: (a) future market earnings, net of investment-related expenses, will equal 7.50% per year, (b) there will be no liability gains/losses or changes in assumptions, (c) the number of active members will remain unchanged, (d) active members who leave employment will be replaced by new entrants each year, and (e) employer contributions and dedicated State revenue will remain the same percentage of payroll as projected for the current fiscal year.

The Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.

III. Actuarial Value of Assets

The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment-related expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, administrative expenses, benefits paid, and refunds.

Prior to the June 30, 2015, the actual and expected returns on plan assets were also determined net of administrative expenses.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 7.50% per year, net of investment-related expenses and compounded annually, composed of an assumed 2.50% inflation rate and a 5.00% net real rate of return.
2. Administrative expenses: 0.10% of valuation payroll per year
3. Salary increase rate: A 3.25% wage inflation component, including 2.50% price inflation, plus a service-related component as shown below:

<u>Years of Service</u>	<u>Service-Related Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	8.00%	11.25%
1-2	1.50%	4.75%
3-4	1.25%	4.50%
5-11	1.00%	4.25%
12-17	0.75%	4.00%
18-21	0.50%	3.75%
22-24	0.25%	3.50%
25 or more	0.00%	3.25%

4. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 2.75% per year. This increase rate has no allowance for future membership growth.
5. Future ad hoc cost-of-living increases: None.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.
 - a. Healthy males – RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000.
 - b. Healthy females – GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
 - c. Disabled males – RP-2000 Mortality Table for disabled males, multiplied by 75%, no set back.
 - d. Disabled females – RP-2000 Mortality Table for disabled females, multiplied by 100%, no set back.
2. Mortality rates for active members – RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Mortality Improvement: The nondisabled annuity mortality assumption includes an explicit generational mortality improvement assumption. To account for future mortality improvement for disabled annuitants and active members, the tables and table multipliers selected above were chosen so that the assumed mortality rates are smaller than the rates observed in the last experience study, covering experience for FY 2010 – FY 2014. The ratio of the actual number of deaths occurring during this period to the expected number based on the selected assumptions was:

- 116% for disabled male annuitants
- 120% for disabled female annuitants
- 127% for active male members
- 116% for active female members

3. Disability rates - Based on 2015 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	0.023	0.020
30	0.023	0.020
35	0.032	0.040
40	0.059	0.100
45	0.090	0.160
50	0.270	0.240
55	0.405	0.370
60	0.158	0.260
65	0.000	0.000

Disability rates are applied only for members with 10 or more years of service, since rates were developed based on exposure for this group.

4. Termination Rates – Rates based on the member's service, developed from the 2015 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

Expected Terminations per 100 Lives

Credited Service (Years)	Males and Females
(1)	(2)
0	23.00
1	18.00
2	13.00
3	11.00
4	9.00
5	8.25
6	7.50
7	6.75
8	6.00
9	5.25
10	4.50
11	4.25
12	4.00
13	3.75
14	3.50
15	3.25
16	3.00
17	2.75
18	2.50
19	2.25
20	2.00
21	1.75
22	1.75
23	1.50
24	1.50
25 or more	0.00

Termination rates are not applied to a member who is eligible for a retirement benefit (reduced or unreduced).

5. Retirement rates - Separate male and female rates, based on age, developed from the 2015 Experience Study. Sample rates are shown below:

	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
Age	Males	Females	Males	Females
Under 50	0.0	0.0	0.0	0.0
50	12.0	12.5	0.0	0.0
51	12.0	12.5	0.0	0.0
52	12.0	12.5	0.0	0.0
53	12.0	12.5	0.0	0.0
54	12.0	12.5	0.0	0.0
55	12.0	12.5	1.0	1.5
56	12.0	14.0	1.8	2.0
57	12.0	14.0	2.0	2.3
58	12.0	14.0	2.3	2.5
59	12.0	16.0	2.5	2.8
60	12.0	16.0	2.8	3.0
61	15.0	20.0	3.0	3.5
62	21.0	25.0	10.0	10.0
63	19.0	20.0	7.5	7.5
64	15.0	20.0	7.5	7.5
65	25.0	25.0		
66	22.5	25.0		
67	22.5	25.0		
68	20.0	22.5		
69	20.0	22.5		
70	20.0	22.5		
71	20.0	22.5		
72	20.0	22.5		
73	20.0	22.5		
74	20.0	22.5		
75 and over	100.0	100.0		

The retirement assumption was further modified for members hired after June 30, 1992. The probability of retirement upon first eligibility for Rule of 90 reflects the accumulated probability of retirement between Rule of 80 and Rule of 90, as applicable.

C. Other Assumptions

1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Males are assumed to be three years older than females.
3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the \$18,000 lump sum and refund.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62 (age 65 if hired on or after November 1, 2011).
6. Supplemental medical insurance: 50% of eligible members who are active or due a deferred vested benefit are assumed to elect the insurance benefit. For annuitants who began receiving a benefit in the year preceding the valuation date, 50% of those not already receiving the benefit are assumed to elect it. The liability for all other annuitants is based on the actual benefit being paid as shown in the data.
7. Members who retire with at least 24 years of credited service are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
8. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
9. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.
10. For EESIP eligible employees, if the refund amount to be paid exceeds the actuarial present value of the additional benefit, then we assume the member does not elect the enhanced benefit.
11. Decrement timing: Decrements of all types are assumed to occur mid-year.

V. Participant Data

Participant data was supplied on an electronic file for (i) active members, (ii) inactive vested members who are entitled to a future deferred benefit, (iii) inactive nonvested members who are entitled to a refund of their employee contributions, and in some cases a portion of the accumulated interest, and (iv) members and beneficiaries receiving benefits.

The data for active and inactive, non-retired members included date of birth, date of hire, gender, years of service, salary, employee contributions and accumulated interest on employee contributions. The data also included a code to indicate whether the employee had elected to make contributions on salary above \$25,000, and a code indicating the type of employer (comprehensive university, other college or university, or other employer). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Individual member contributions for the 12 months prior to the valuation date were used to determine the actual salary for plan members in the prior plan year. The valuation assumptions for salary increases were used to determine the projected salary for the current plan year. Additionally, contributing members were assumed to accrue one additional year of service between the end of the prior employment year and the valuation date.

Additional assumptions were made to correct for missing or inconsistent data. These had no material impact on the results presented.

Some inactive, nonvested employees who are entitled to a refund are not included in the data, but a liability for their refund is included instead in the Suspense Fund, which is included in the liability.



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA



Statistical Section

Statistical Section Summary

The Statistical Section presents several schedules that provide financial trends analysis of the Teachers' Retirement System of Oklahoma's overall financial health and additional analytical information on membership data and retirement benefits. The schedules presented are for the combined Plans unless noted as an individual Plan. The schedules beginning on page 123 through page 132 provide data depicting active membership, level of monthly benefits, years of service, and retirement options. The schedules on page 133 to page 141 provide financial data showing revenues and expenses. On page 143 to page 146 these schedules report the financial impact of retirees in the state of Oklahoma and the participating employers. The source of the information in these schedules is derived from internal information unless otherwise noted.

Retired Members by Type of Benefit

Fiscal Year Ended June 30, 2017

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement *						Option Selected #					
		1	2	3	4	5	6	A	B	C	D	E	G
Under \$500	7,382	4,169	2,489	328	92	325	2	3,537	1,604	1,662	329	271	2
\$501-\$1,000	10,113	6,698	1,941	709	84	712	0	4,499	2,092	2,479	834	242	0
\$1,001-\$1,500	9,059	7,550	376	642	13	507	0	3,385	1,860	2,703	961	180	0
\$1,501-\$2,000	13,899	13,010	63	611	0	259	0	4,501	3,268	4,451	1,431	292	0
\$2,001-\$2,500	12,068	11,580	17	466	0	43	0	3,693	2,631	4,092	1,380	310	0
\$2,501-\$3,000	5,042	4,845	4	202	1	6	0	1,653	930	1,741	641	92	0
\$3,001-\$3,500	2,190	2,139	2	55	0	1	0	754	369	769	251	53	0
\$3,501-\$4,000	1,009	990	2	20	0	0	0	405	124	351	115	16	0
Over \$4,000	1,432	1,403	2	31	0	0	0	477	151	593	189	27	0
Totals		52,384	4,896	3,065	191	1,853	2	22,904	13,030	18,841	6,130	1,483	2

* Type of Retirement

Type 1 - Normal retirement for age and service

Type 2 - Early retirement

Type 3 - Beneficiary payment (Normal retirement)

Type 4 - Beneficiary payment (Early retirement)

Type 5 - Disability retirement

Type 6 - Special annuitants

Option Selected

Option A – The Maximum Retirement Plan – provides the greatest monthly lifetime benefit.

Option B – Retirement Option 1 – provides for a decreased rate of reduction of a member's account balance.

Option C – Retirement Option 2 – known as the 100% joint survivor annuity – provides for a reduced monthly benefit to the member for life. Upon the death of the

Option D – Retirement Option 3 – known as the 50% joint survivor annuity – provides a similar benefit as Option 2; however, upon the death of the member, the

Option E – Retirement Option 4 – provides a reduced monthly benefit payable to the member for life. In the event of the member's death within 120 months from the

Option G – Special Annuitants – a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943, receives a special annuity.

Average Benefit Payments

Fiscal Years Ended June 30

Retirement Effective Date	Years of Credited Service							
	5-10	10-15	15-20	20-25	25-30	30-35	35-40	40+
Period 7/1/2007 to 6/30/2008								
Average monthly benefit	\$331	\$558	\$897	\$1,294	\$1,846	\$2,243	\$2,767	\$3,535
Average final average salary	\$31,448	\$32,300	\$34,616	\$36,877	\$42,274	\$46,606	\$50,852	\$56,650
Number of retired members	155	324	346	512	568	528	271	103
Period 7/1/2008 to 6/30/2009								
Average monthly benefit	\$366	\$610	\$955	\$1,360	\$1,896	\$2,319	\$3,073	\$3,839
Average final average salary	\$35,522	\$34,547	\$36,411	\$38,874	\$44,043	\$49,044	\$55,906	\$65,221
Number of retired members	135	302	324	497	502	465	234	134
Period 7/1/2009 to 6/30/2010								
Average monthly benefit	\$365	\$613	\$952	\$1,365	\$1,895	\$2,319	\$3,074	\$3,850
Average final average salary	\$35,555	\$34,709	\$36,329	\$38,995	\$44,020	\$49,040	\$55,956	\$65,319
Number of retired members	135	299	321	496	499	465	232	133
Period 7/1/2010 to 6/30/2011								
Average monthly benefit	\$354	\$672	\$982	\$1,511	\$1,999	\$2,412	\$3,102	\$3,922
Average final average salary	\$33,629	\$37,158	\$38,819	\$42,813	\$46,536	\$50,704	\$57,768	\$63,268
Number of retired members	195	377	355	586	564	607	366	163
Period 7/1/2011 to 6/30/2012								
Average monthly benefit	\$405	\$680	\$1,097	\$1,550	\$2,013	\$2,515	\$3,114	\$3,922
Average final average salary	\$37,155	\$37,678	\$41,877	\$44,299	\$46,467	\$52,837	\$57,201	\$64,385
Number of retired members	228	383	350	572	551	585	326	188
Period 7/1/2012 to 6/30/2013								
Average monthly benefit	\$392	\$726	\$1,129	\$1,568	\$2,076	\$2,568	\$3,262	\$4,019
Average final average salary	\$36,669	\$39,041	\$43,668	\$44,636	\$47,848	\$53,682	\$58,935	\$64,743
Number of retired members	203	320	342	520	576	538	350	165
Period 7/1/2013 to 6/30/2014								
Average monthly benefit	\$393	\$770	\$1,137	\$1,639	\$2,112	\$2,694	\$3,389	\$4,256
Average final average salary	\$35,420	\$40,470	\$43,459	\$46,149	\$48,545	\$55,667	\$60,993	\$69,444
Number of retired members	235	337	335	498	557	482	335	167
Period 7/1/2014 to 6/30/2015								
Average monthly benefit	\$402	\$720	\$1,172	\$1,612	\$2,172	\$2,653	\$3,425	\$3,972
Average final average salary	\$35,345	\$38,407	\$44,188	\$45,791	\$49,969	\$55,048	\$61,810	\$63,623
Number of retired members	240	419	403	469	643	504	352	170
Period 7/1/2015 to 6/30/2016								
Average monthly benefit	\$438	\$737	\$1,237	\$1,733	\$2,261	\$2,716	\$3,556	\$4,264
Average final average salary	\$37,681	\$38,863	\$46,876	\$49,916	\$52,150	\$56,586	\$64,180	\$68,330
Number of retired members	243	407	413	389	606	433	323	176
Period 7/1/2016 to 6/30/2017								
Average monthly benefit	\$456	\$722	\$1,238	\$1,799	\$2,295	\$2,905	\$3,824	\$4,401
Average final average salary	\$39,209	\$38,580	\$46,043	\$52,534	\$52,868	\$59,530	\$68,201	\$68,798
Number of retired members	292	412	392	472	623	464	290	175

Principal Participating Employers

Current Year (2017) and Nine Years Ago (2008)

Participating Employer	Fiscal Year 2017			Fiscal Year 2008		
	Covered Members	Rank	Percentage of Total System	Covered Members	Rank	Percentage of Total System
OKLAHOMA CITY PUBLIC SCHOOLS	4,759	1	5.16%	4,599	1	4.94%
OKLAHOMA STATE UNIVERSITY	3,856	2	4.18%	4,136	2	4.45%
TULSA PUBLIC SCHOOLS	3,772	3	4.09%	4,044	3	4.35%
EDMOND PUBLIC SCHOOLS	2,562	4	2.78%	2,444	5	2.63%
UNIVERSITY OF OKLAHOMA	2,507	5	2.72%	2,749	4	2.95%
MOORE PUBLIC SCHOOLS	2,499	6	2.71%	2,236	6	2.40%
OU HEALTH SCIENCES CENTER	1,906	7	2.07%	2,080	7	2.24%
PUTNAM CITY PUBLIC SCHOOLS	1,753	8	1.90%	1,684	9	1.81%
MID-DEL PUBLIC SCHOOLS	1,751	9	1.90%	1,665	10	1.79%
NORMAN PUBLIC SCHOOLS	1,732	10	1.88%	1,553	12	1.67%
* All Other	65,135		70.62%	65,839		70.77%
Total (603 Employers)	92,232		100.00%	93,029		100.00%

*In Fiscal Year 2017, "all other" consisted of:

Type	Participating	Members
School Districts	506	49,553
Higher Education	24	9,202
Career Technology	28	4,263
State Agencies	23	1,260
Other	12	857
Total	593	65,135

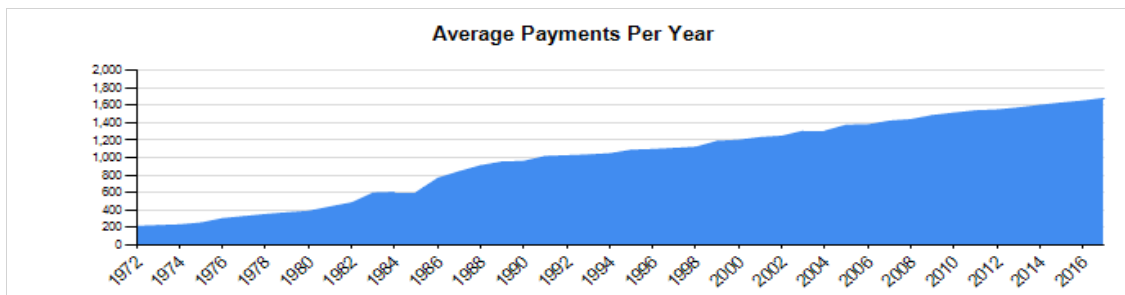
Schedule of Average Payment Amounts

Fiscal Year Ended June 30, 2017

Date	Regular Annuitants
June 30, 1948	\$33
June 30, 1954	\$75
June 30, 1960	\$83
June 30, 1970	\$179
June 30, 1972	\$209
June 30, 1973	\$217
June 30, 1974	\$226
June 30, 1975	\$248
June 30, 1976	\$297
June 30, 1977	\$321
June 30, 1978	\$345
June 30, 1979	\$365
June 30, 1980	\$382
June 30, 1981	\$432
June 30, 1982	\$480
June 30, 1983	\$592
June 30, 1984	\$600
June 30, 1985	\$600
June 30, 1986	\$761
June 30, 1987	\$837
June 30, 1988	\$907
June 30, 1989	\$949

Date	Regular Annuitants	Special Annuitants
June 30, 1990	\$956	\$159
June 30, 1991	\$1,013	\$159
June 30, 1992	\$1,021	\$159
June 30, 1993	\$1,030	\$159
June 30, 1994	\$1,044	\$159
June 30, 1995	\$1,084	\$163
June 30, 1996	\$1,093	\$163
June 30, 1997	\$1,105	\$163
June 30, 1998	\$1,119	\$163
June 30, 1999	\$1,187	\$172
June 30, 2000	\$1,199	\$172
June 30, 2001	\$1,231	\$175
June 30, 2002	\$1,246	\$175
June 30, 2003	\$1,304	\$175
June 30, 2004	\$1,304	\$180
June 30, 2005	\$1,373	\$187
June 30, 2006	\$1,376	\$191
June 30, 2007	\$1,419	\$191
June 30, 2008	\$1,437	\$191
June 30, 2009	\$1,483	\$194
June 30, 2010	\$1,511	\$195
June 30, 2011	\$1,537	\$195
June 30, 2012	\$1,547	\$195
June 30, 2013	\$1,571	\$195
June 30, 2014	\$1,601	\$195
June 30, 2015	\$1,627	\$195
June 30, 2016	\$1,650	\$195
June 30, 2017	\$1,681	\$195

Note that figures after June 30, 1989, do not include monthly medical premiums.



Active Personnel

Fiscal Year Ended June 30, 2017

Years of Service	All Active Personnel
Under 5 years	32,461
5-9	16,717
10-14	13,091
15-19	11,024
20-24	7,002
25-29	4,473
30-34	1,905
35-39	877
40-44	201
45-49	37
50-54	5
55-59	2
Totals	87,795

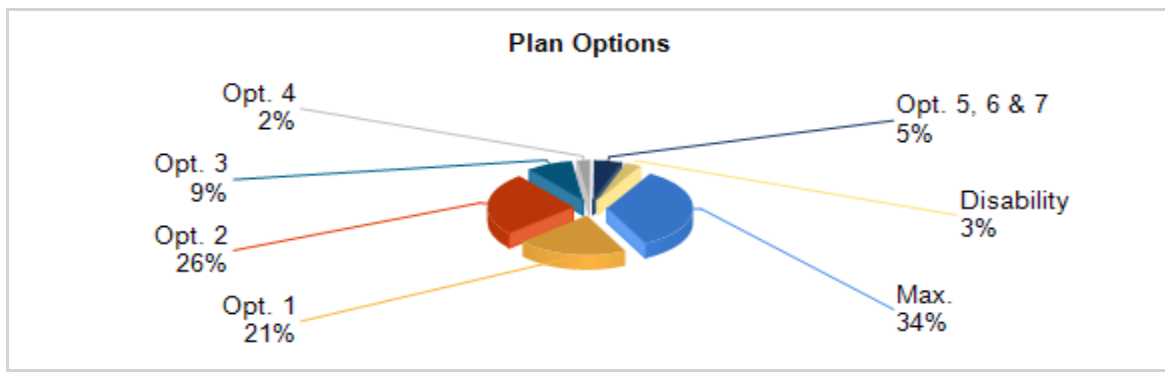
Salary Range	All Active Personnel
Under \$5,000	1,553
\$5,001-\$10,000	2,485
\$10,001-\$15,000	6,227
\$15,001-\$20,000	4,639
\$20,001-\$25,000	3,414
\$25,001-\$30,000	9,973
\$30,001-\$35,000	14,158
\$35,001-\$40,000	12,704
\$40,001-\$45,000	8,937
\$45,001-\$50,000	5,626
\$50,001-\$55,000	3,590
\$55,001-\$60,000	2,651
\$60,001-\$65,000	2,135
\$65,001-\$70,000	1,827
\$70,001-\$75,000	1,446
\$75,001 and Above	6,430
Totals	87,795

Average Age (years)	45.6
Average Salary	\$40,062.38
Average Service (years)	10.2

Schedule of Retired Members by Type of Benefits

Selected Plan Options
Fiscal Year Ended June 30, 2017

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	3,955	17,431	21,387	\$1,595	34%
Option 1	2,853	10,177	13,030	\$1,608	21%
Option 2	8,139	7,942	16,081	\$1,879	26%
Option 3	2,069	3,277	5,346	\$2,010	9%
Option 4	415	1,024	1,440	\$1,555	2%
Options 5, 6 & 7	879	2,377	3,255	\$1,409	5%
Disability	487	1,366	1,853	\$985	3%
Totals	18,796	43,595	62,391	\$1,678	100%



Maximum – provides for the greatest possible benefit.

Option 1 – provides for a decreased rate of reduction of member's account balance.

Option 2 – provides for a reduced monthly benefit to the member for life. Upon death of the member, the designated beneficiary will continue to receive the same monthly benefit for life.

Option 3 – provides a similar benefit as Option 2; however, upon death of the member, the monthly benefit to the designated beneficiary is one-half of the benefit of the member.

Option 4 – provides a reduced monthly benefit. In the event of the member's death within 120 months from the date of retirement, the balance of the payments are continued to the beneficiary designated at the time of retirement.

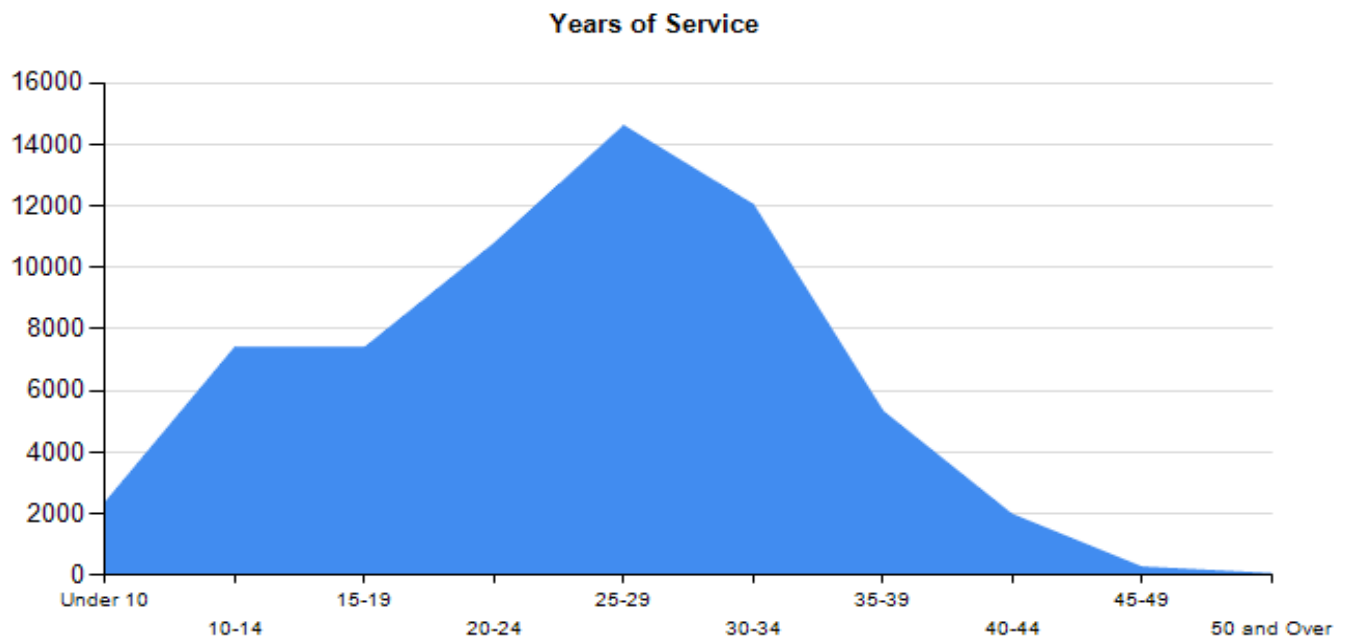
Options 5, 6 & 7 – represents beneficiaries of options 2, 3 & 4.

Disability – upon meeting requirements, a vested member may receive a monthly benefit.

Distribution by Years of Service

Fiscal Year Ended June 30, 2017

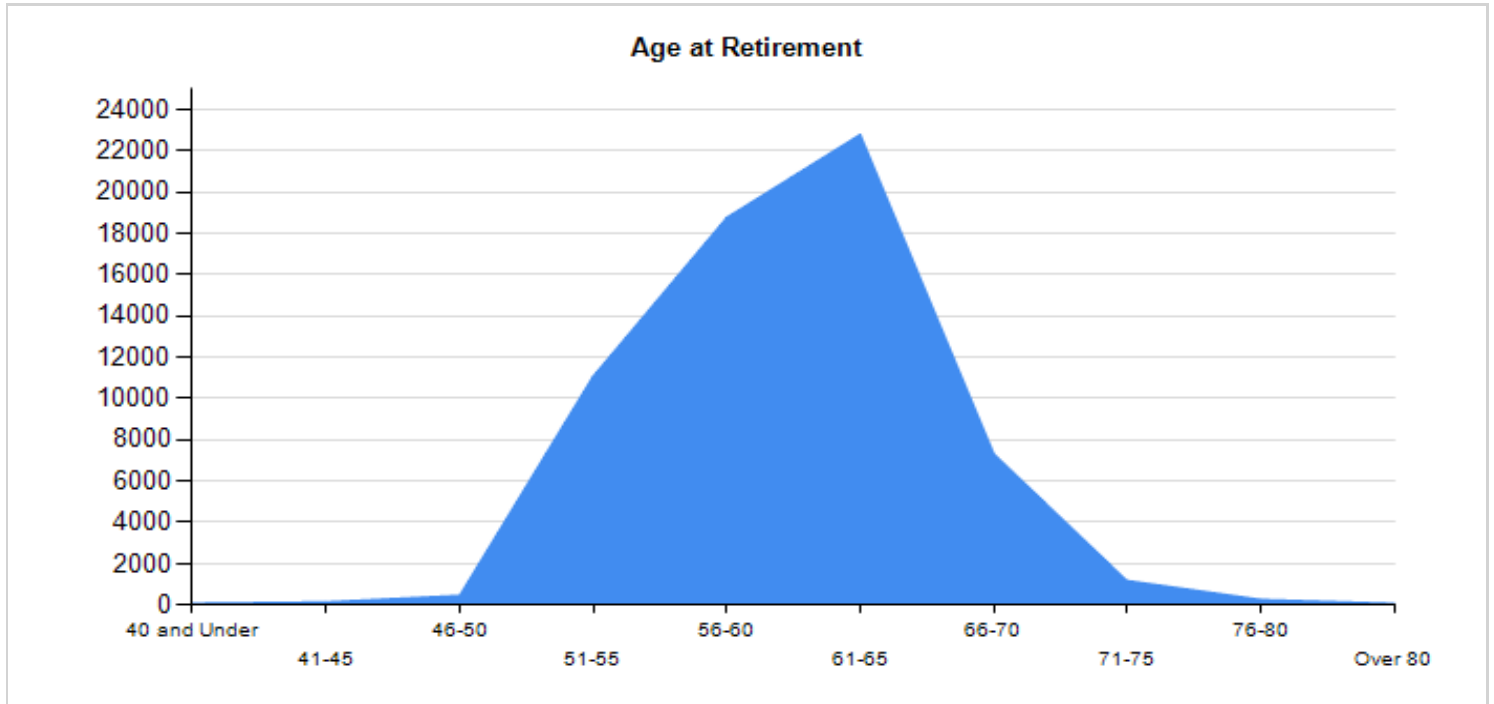
Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
Under 10	854	1,526	2,380	\$388
10-14	2,028	5,400	7,428	\$564
15-19	1,994	5,423	7,417	\$908
20-24	2,406	8,411	10,817	\$1,371
25-29	4,189	10,465	14,654	\$1,861
30-34	4,210	7,869	12,079	\$2,261
35-39	2,115	3,232	5,347	\$2,872
40-44	855	1,119	1,974	\$3,472
45-49	123	132	255	\$4,076
50 and Over	22	18	40	\$4,263
Totals	18,796	43,595	62,391	\$1,678



Distribution by Age at Retirement

Fiscal Year Ended June 30, 2017

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	19	62	81	\$731	13.0
41-45	35	111	146	\$966	15.8
46-50	129	333	462	\$1,233	20.1
51-55	4,154	6,968	11,122	\$1,969	28.5
56-60	5,167	13,663	18,830	\$1,665	25.5
61-65	6,331	16,540	22,871	\$1,560	23.1
66-70	2,390	4,972	7,361	\$1,703	23.1
71-75	439	743	1,183	\$1,643	23.2
76-80	99	162	261	\$1,540	23.3
Over 80	32	40	72	\$1,253	20.5
Totals	18,796	43,595	62,391	\$1,678	24.8

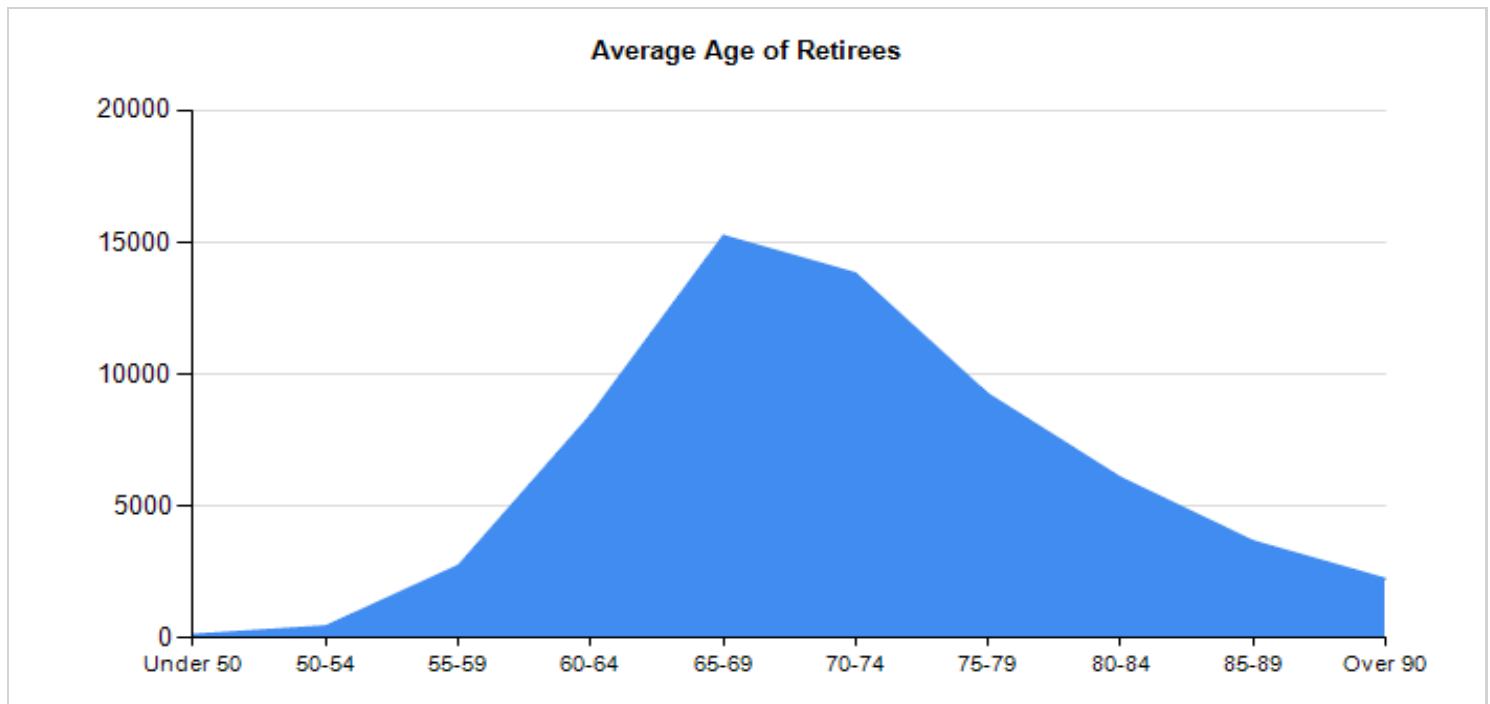


Distribution by Retiree Age

Fiscal Year Ended June 30, 2017

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	139	17.0	\$1,069
50-54	458	25.6	\$1,992
55-59	2,771	26.9	\$2,047
60-64	8,493	25.7	\$1,944
65-69	15,306	24.8	\$1,818
70-74	13,873	24.6	\$1,703
75-79	9,288	24.1	\$1,514
80-84	6,108	23.8	\$1,371
85-89	3,696	24.3	\$1,292
Over 90	2,259	25.7	\$1,224
Totals	62,391	24.8	\$1,678

Average age of retired members is 71.4 years.

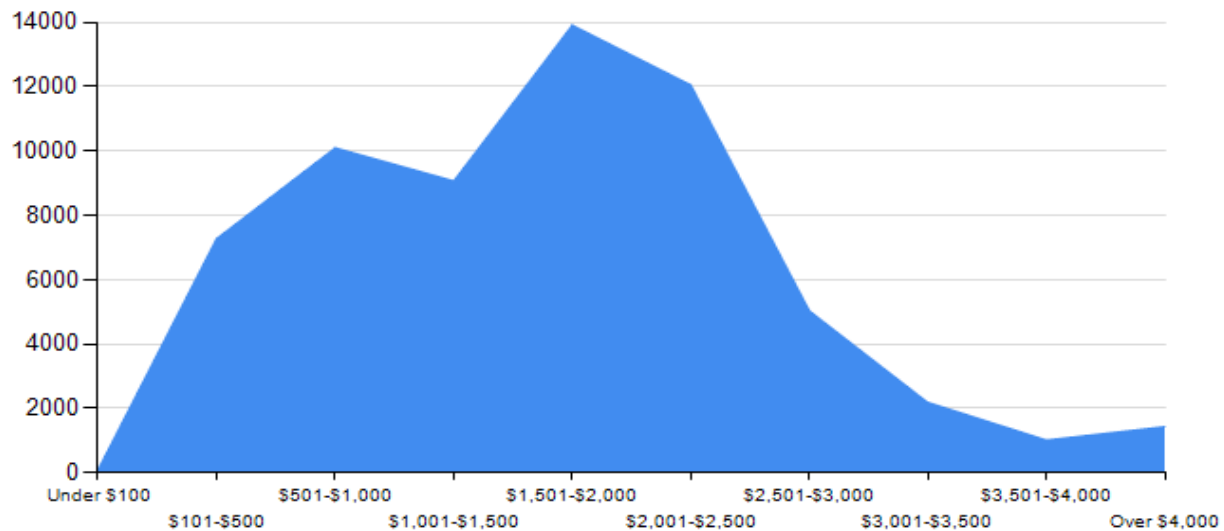


Distribution by Monthly Income

Fiscal Year Ended June 30, 2017

Monthly Income	Retired Members	Total	Average Payment
Under \$100	96	\$8,205	\$85
\$101-\$500	7,306	\$2,384,706	\$327
\$501-\$1,000	10,134	\$7,425,505	\$735
\$1,001-\$1,500	9,102	\$11,483,087	\$1,266
\$1,501-\$2,000	13,963	\$24,508,502	\$1,761
\$2,001-\$2,500	12,096	\$26,744,629	\$2,218
\$2,501-\$3,000	5,054	\$13,655,790	\$2,711
\$3,001-\$3,500	2,193	\$7,029,481	\$3,216
\$3,501-\$4,000	1,013	\$3,755,679	\$3,718
Over \$4,000	1,434	\$7,353,490	\$5,146
Totals	62,391	\$104,349,075	\$1,678

Distribution by Monthly Income



**Schedule of Changes in Net Position 401 (a) Plan
For Periods Ended June 30**

									Total
									Changes in
									Net Position
Additions									Deductions
Contributions									Benefit
State and									Refunds and
Net Investment									Administrative
Year	Member	Employer	Federal Matching	Income	Payments	Annuity Payments	Expenses		
2010	*	\$ 290,247,028	\$ 366,282,238	\$ 254,375,139	\$ 1,162,479,318	\$ 912,912,714	\$ 30,409,340	\$ 4,979,589	\$1,125,082,080
2011	*	286,643,244	364,025,589	274,451,205	1,898,444,287	979,245,846	35,211,171	4,716,480	1,804,390,828
2012	*	291,385,506	376,635,234	304,995,663	137,844,165	1,036,132,586	32,076,398	4,273,189	38,378,395
2013	*	290,044,395	373,789,020	327,505,309	1,777,593,224	1,095,144,055	28,894,193	4,156,867	1,640,736,833
2014	*	301,300,811	386,895,127	320,157,548	2,571,707,952	1,153,051,607	28,718,256	4,282,605	2,394,008,970
2015	*	303,677,304	392,051,458	336,390,612	428,855,747	1,201,350,906	35,240,176	4,358,938	220,025,101
2016	*	294,459,091	409,753,221	315,671,996	(357,443,248)	1,257,276,705	36,109,832	4,458,338	(635,403,815)
2017	*	292,949,337	396,743,812	301,951,901	1,945,898,975	1,281,816,606	40,944,298	4,028,080	1,610,755,041

* - Net investment income includes both securities lending income and realized and unrealized gains and losses on investments.

Information to present a 10-year history is not readily available.

**Schedule of Changes in Net Position 403 (b) Plan
For Periods Ended June 30**

<u>Year</u>	<u>Additions</u>		<u>Deductions</u>		<u>Total Changes in Net Position</u>
	<u>Contributions</u>	Net Investment	Refunds and		
	<u>Member</u>	<u>Income</u>	<u>Annuity Payments</u>		
2010 *	\$ 5,402,646	\$ 28,788,108	\$ 44,542,103	\$ (10,351,349)	
2011 *	5,010,856	27,192,952	23,709,394	8,494,414	
2012 *	3,448,031	5,811,083	22,661,333	(13,402,219)	
2013 *	2,910,706	15,012,065	23,838,151	(5,915,380)	
2014 *	3,026,532	24,174,857	21,343,243	5,858,146	
2015 *	2,823,513	3,607,327	21,822,979	(15,392,139)	
2016 *	2,222,812	2,836,367	19,731,438	(14,672,259)	
2017 *	2,548,206	11,750,940	19,762,817	(5,463,671)	

* - Net investment income includes both securities lending income and realized and unrealized gains and losses on investments.

Information to present a 10-year history is not readily available.

**Schedule of Changes in Net Position OPEB Plan
For Period Ended June 30**

<u>Year</u>			Deductions		Total Changes in Net Position
	<u>Contributions Employer</u>	<u>Net Investment Income</u>	<u>Benefit Payments</u>	<u>Administrative Expenses</u>	
2017 *	6,513,158	62,298,027	30,309,127	26,457	38,475,601

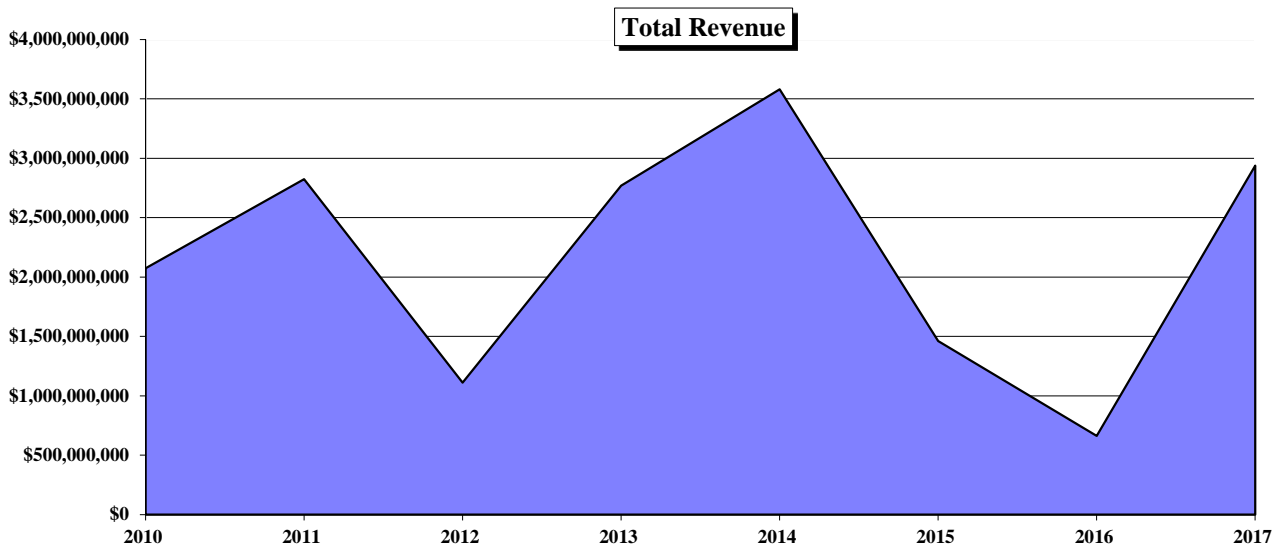
* - Net investment income includes both securities lending income and realized and unrealized gains and losses on investments.

Information to present a 10-year history is not readily available

**Schedule of Revenue by Source 401 (a) Plan
For Periods Ended June 30**

<u>Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	State of Oklahoma and <u>Various Grant Sources</u>	Net Investment <u>Income</u>	<u>Other Revenue</u>	<u>Total</u>
2010 *	\$ 290,247,028	\$ 366,282,238	\$ 254,375,139	\$1,157,446,907	\$ 5,032,411	\$ 2,073,383,723
2011 *	286,643,244	364,025,589	274,451,205	1,892,108,268	6,336,019	2,823,564,325
2012 *	291,385,506	376,635,234	304,995,663	128,564,937	9,279,228	1,110,860,568
2013 *	290,044,395	373,789,020	327,505,309	1,768,061,837	9,531,387	2,768,931,948
2014 *	301,300,811	386,895,127	320,157,548	2,563,117,816	8,590,136	3,580,061,438
2015 *	303,677,304	392,051,458	336,390,612	417,023,224	11,832,523	1,460,975,121
2016 *	294,459,091	409,753,221	315,671,996	(365,314,005)	7,870,757	662,441,060
2017 *	292,949,337	396,743,812	301,951,901	1,937,463,392	8,435,583	2,937,544,025

* - Investment income includes both realized and unrealized gains and losses on investments.

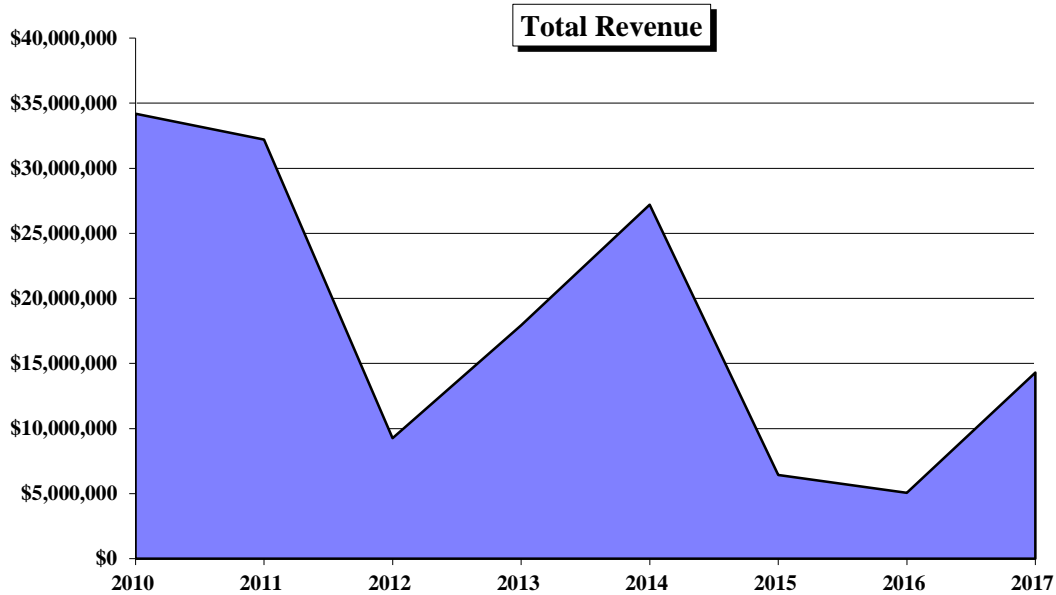


Information to present a 10-year history is not readily available.

**Schedule of Revenue by Source 403 (b) Plan
For Periods Ended June 30**

<u>Year</u>		<u>Member</u>		<u>Net</u>		<u>Total</u>
		<u>Contributions</u>		<u>Investment</u>		
				<u>Income</u>		
2010	*	\$ 5,402,646	\$	28,788,108	\$	34,190,754
2011	*	5,010,856		27,192,952		32,203,808
2012	*	3,448,031		5,811,083		9,259,114
2013	*	2,910,706		15,021,065		17,931,771
2014	*	3,026,532		24,174,857		27,201,389
2015	*	2,823,513		3,607,327		6,430,840
2016	*	2,222,812		2,836,367		5,059,179
2017	*	2,548,206		11,750,940		14,299,146

* - Investment income includes both realized and unrealized gains and losses on investments.



Information to present a 10-year history is not readily available.

**Schedule of Revenue by Source OPEB Plan
For Period Ended June 30**

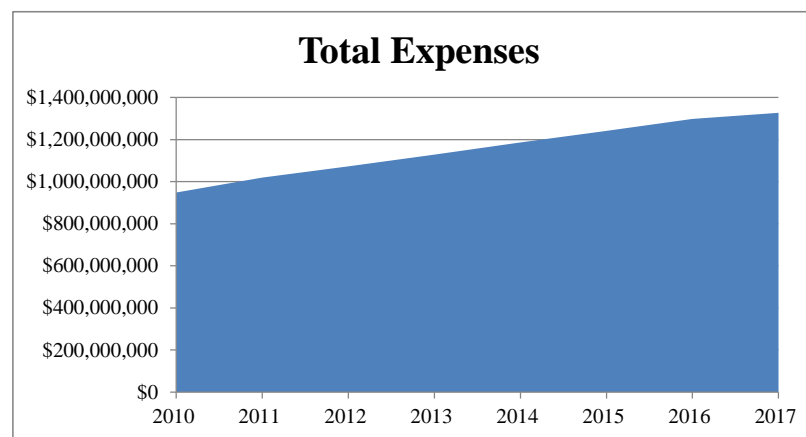
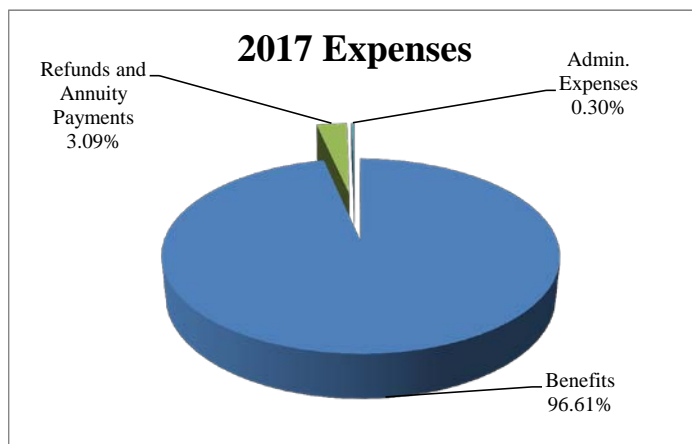
<u>Year</u>		<u>Employer Contributions</u>	<u>Net Investment Income</u>	<u>Total</u>
2017	*	\$ 6,513,158	\$ 62,298,027	\$ 68,811,185

* - Investment income includes both realized and unrealized gains and losses on inve

Information to present a 10-year history is not readily availab

**Schedule of Expenses by Type 401 (a) Plan
For Periods Ended June 30**

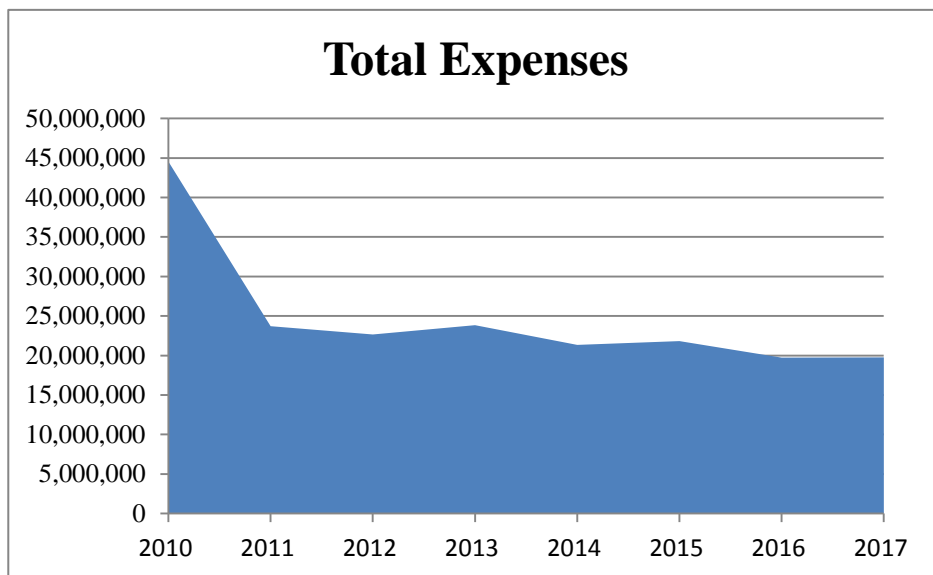
<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
2010	\$ 912,912,714	\$ 30,409,340	\$ 4,979,589	\$ 948,301,644
2011	979,245,846	35,211,171	4,716,480	1,019,173,497
2012	1,036,132,586	32,076,398	4,273,189	1,072,482,173
2013	1,095,144,055	28,894,193	4,156,867	1,128,195,115
2014	1,153,051,607	28,718,256	4,282,605	1,186,052,468
2015	1,201,350,907	35,240,176	4,358,938	1,240,950,021
2016	1,257,276,705	36,109,832	4,458,338	1,297,844,875
2017	1,281,816,606	40,944,298	4,028,080	1,326,788,984



Information to present a 10-year history is not readily available.

**Schedule of Expenses by Type 403 (b) Plan
For Periods Ended June 30**

<u>Year</u>	<u>Refunds and Annuity Payments</u>
2010	\$ 44,542,103
2011	23,709,394
2012	22,661,333
2013	23,838,151
2014	21,343,243
2015	21,822,979
2016	19,731,438
2017	19,762,817



Information to present a 10-year history is not readily available.

**Schedule of Expenses by Type OPEB Plan
For Period Ended June 30**

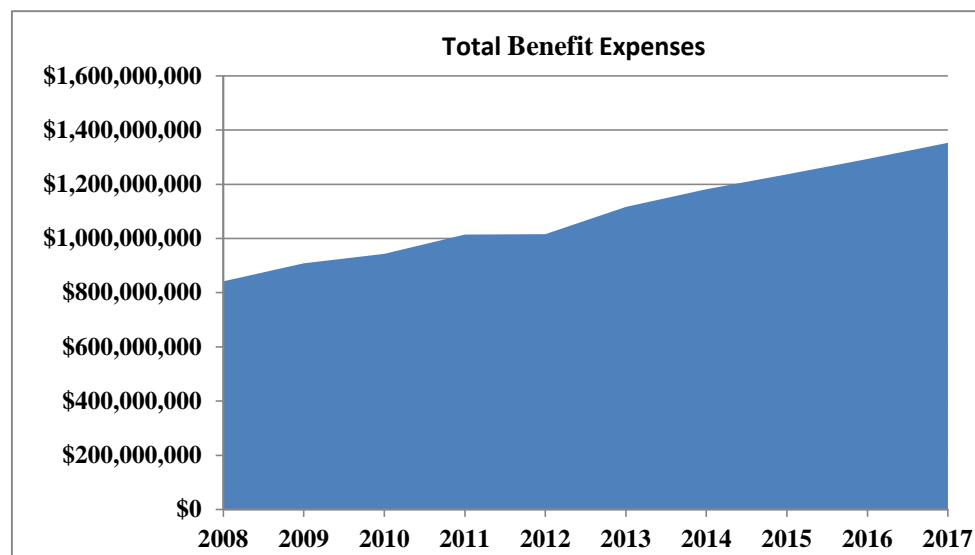
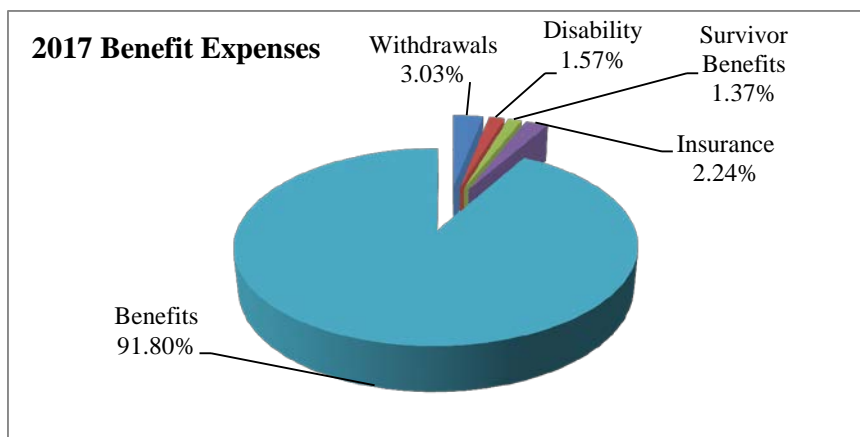
<u>Year</u>	<u>Benefits</u>	Administrative <u>Expenses</u>	<u>Total</u>
2017	\$ 30,309,127	\$ 26,457	\$ 30,335,584

Information to present a 10-year history is not readily available.

Schedule of Benefit Expenses by Type

For Periods Ended June 30

Year	Age And Service Benefits	Disability Benefits	Insurance Payments	Survivor Benefits	Withdrawal of Accounts	Total
2008	\$748,710,866	\$15,866,880	\$30,404,352	\$11,591,627	\$35,254,496	\$841,828,221
2009	\$818,781,566	\$16,441,272	\$30,523,203	\$10,527,153	\$32,130,596	\$908,403,790
2010	\$854,573,317	\$16,803,072	\$29,916,471	\$11,619,585	\$30,409,340	\$943,321,785
2011	\$921,893,090	\$17,742,173	\$29,405,228	\$10,205,355	\$35,211,171	\$1,014,457,017
2012	\$923,869,182	\$18,055,036	\$29,607,919	\$12,339,834	\$32,076,398	\$1,015,948,369
2013	\$1,016,274,986	\$18,713,611	\$31,809,399	\$17,393,994	\$32,295,274	\$1,116,487,264
2014	\$1,088,077,119	\$19,310,123	\$30,135,639	\$15,527,726	\$28,718,256	\$1,181,769,863
2015	\$1,136,433,283	\$20,093,601	\$30,362,551	\$14,461,472	\$35,240,176	\$1,236,591,082
2016	\$1,189,645,360	\$20,731,886	\$30,522,251	\$16,377,208	\$36,109,832	\$1,293,386,537
2017	\$1,242,088,802	\$21,238,923	\$30,309,127	\$18,488,881	\$40,944,298	\$1,353,070,031



Retirees in the State of Oklahoma by County

Of the 62,391 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma, 88% or 54,979 remain state of Oklahoma residents. As such, benefit payments of approximately \$1,132,158,263.07 this year alone went into the State's communities and businesses. Since money changes hands several times, the System's payments have a dramatic effect on the State's economy.

County	Recipients	Annual Payment
Adair	415	\$8,282,583.43
Alfalfa	118	\$2,313,971.46
Atoka	237	\$4,570,498.56
Beaver	86	\$1,649,711.99
Beckham	335	\$7,301,886.94
Blaine	193	\$3,904,763.61
Bryan	831	\$17,538,003.57
Caddo	596	\$11,312,608.44
Canadian	1,576	\$32,292,230.79
Carter	711	\$13,470,910.38
Cherokee	1,065	\$22,592,999.99
Choctaw	242	\$5,114,740.01
Cimarron	43	\$711,124.15
Cleveland	3,646	\$78,867,443.75
Coal	91	\$1,862,999.48
Comanche	1,641	\$34,683,125.78
Cotton	97	\$1,789,125.11
Craig	221	\$3,810,208.02
Creek	825	\$16,281,583.71
Custer	581	\$12,601,889.94
Delaware	474	\$9,924,010.78
Dewey	138	\$2,771,987.16
Ellis	54	\$1,012,482.67
Garfield	822	\$17,410,235.78
Garvin	438	\$8,824,368.22
Grady	691	\$13,888,985.18
Grant	84	\$1,647,472.96
Greer	108	\$2,137,055.11
Harmon	80	\$1,451,124.78
Harper	86	\$1,733,773.65
Haskell	254	\$5,020,204.55
Hughes	199	\$3,815,142.92
Jackson	430	\$9,870,382.52
Jefferson	80	\$1,749,311.19
Johnston	269	\$5,283,606.77
Kay	674	\$13,257,406.12
Kingfisher	246	\$5,015,492.96
Kiowa	185	\$3,559,425.87
Latimer	223	\$3,967,193.95

County	Recipients	Annual Payment
Leflore	772	\$15,766,225.59
Lincoln	469	\$8,939,514.74
Logan	519	\$9,176,726.96
Love	105	\$1,934,301.32
Major	142	\$2,774,125.28
Marshall	284	\$5,532,003.70
Mayes	630	\$13,435,462.70
Mcclain	659	\$12,819,294.86
Mccurtain	620	\$12,072,038.03
Mcintosh	427	\$8,684,311.20
Murray	211	\$4,449,051.03
Muskogee	1,263	\$26,328,497.87
Noble	174	\$3,130,892.79
Nowata	100	\$1,874,541.42
Okfuskee	196	\$3,776,512.92
Oklahoma	10,008	\$209,143,974.95
Okmulgee	769	\$15,229,637.60
Osage	211	\$3,925,602.99
Ottawa	689	\$12,645,266.19
Pawnee	220	\$4,419,837.75
Payne	2,209	\$46,538,484.37
Pittsburg	687	\$13,831,258.44
Pontotoc	869	\$17,693,787.32
Pottawatomie	939	\$19,207,248.09
Pushmataha	200	\$4,066,202.67
Roger Mills	82	\$1,513,169.43
Rogers	995	\$20,071,173.79
Seminole	414	\$8,111,014.67
Sequoyah	693	\$13,839,819.20
Stephens	643	\$13,121,914.38
Texas	237	\$4,584,074.76
Tillman	141	\$2,980,097.17
Tulsa	7,505	\$161,328,932.38
Wagoner	458	\$9,876,895.05
Washington	644	\$11,586,709.97
Washita	203	\$4,329,341.18
Woods	244	\$4,876,299.49
Woodward	263	\$5,251,948.57
Total	54,979	\$1,132,158,263.07

2017 Participating Employers

Public School Districts

ACHILLE	BUFFALO VALLEY	DALE	GRACEMONT
ADA	BURLINGTON	DARLINGTON	GRAHAM-DUSTIN
ADAIR	BURNS FLAT-DILL CITY	DAVENPORT	GRAND VIEW
AFTON	BUTNER	DAVIDSON	GRANDFIELD
AGRA	BYNG	DAVIS	GRANDVIEW
ALBION	CACHE	DEER CREEK	GRANITE
ALEX	CADDO	DEER CREEK-LAMONT	GREASY
ALINE CLEO	CALERA	DENISON	GREENVILLE
ALLEN	CALUMET	DEPEW	GROVE
ALLEN-BOWDEN	CALVIN	DEWAR	GROVE
ALTUS	CAMERON	DEWEY	GUTHRIE
ALVA	CANADIAN	DIBBLE	GUYMON
AMBER-POCASSET	CANEY	DICKSON	GYPSY
ANADARKO	CANEY VALLEY	DOVER	HAILEYVILLE
ANDERSON	CANTON	DRUMMOND	HAMMON
ANTLERS	CANUTE	DRUMRIGHT	HANNA
ARAPAHO-BUTLER	CARNEGIE	DUKE	HARDESTY
ARDMORE	CARNEY	DUNCAN	HARMONY
ARKOMA	CASHION	DURANT	HARRAH
ARNETT	CATOOSA	EAGLETOWN	HARTSHORNE
ASHER	CAVE SPRINGS	EARLSBORO	HASKELL
ATOKA	CEMENT	EDMOND	HAWORTH
AVANT	CENTRAL	EL RENO	HAYWOOD
BALKO	CENTRAL HIGH	ELDORADO	HEALDTON
BANNER	CHANDLER	ELGIN	HEAVENER
BARNSDALL	CHATTANOOGA	ELK CITY	HENNESSEY
BARTLESVILLE	CHECOTAH	ELMORE CITY	HENRYETTA
BATTIEST	CHELSEA	EMPIRE	HILLDALE
BEARDEN	CHEROKEE	ENID	HINTON
BEAVER	CHEYENNE	ERICK	HOBART
BEGGS	CHICKASHA	EUFAULA	HODGEN
BELFONTE	CHISHOLM	FAIRLAND	HOLDENVILLE
BENNINGTON	CHOCTAW/NICOMA PARK	FAIRVIEW	HOLLIS
BERRYHILL	CHOUTEAU-MAZIE	FANSHAWE	HOLLY CREEK
BETHANY	CIMARRON	FARGO	HOMINY
BETHEL	CLAREMORE	FELT	HOOKER
BIG PASTURE	CLAYTON	FLETCHER	HOWE
BILLINGS	CLEORA	FLOWER MOUND	HUGO
BINGER-ONEY	CLEVELAND	FOREST GROVE	HULBERT
BISHOP	CLINTON	FORGAN	HYDRO-EAKLY
BIXBY	COALGATE	FORT COBB-BROXTON	IDABEL
BLACKWELL	COLBERT	FORT GIBSON	INDIAHOMA
BLAIR	COLCORD	FORT SUPPLY	INDIANOLA
BLANCHARD	COLEMAN	FORT TOWSON	INOLA
BLUEJACKET	COLLINSVILLE	FOX	JAY
BOISE CITY	COMANCHE	FOYIL	JENKS
BOKOSHE	COMMERCE	FREDERICK	JENNINGS
BOONE-APACHE	COPAN	FREEDOM	JONES
BOSWELL	CORDELL	FRIEND	JUSTICE
BOWLEGS	COTTONWOOD	FRINK-CHAMBERS	JUSTUS-TIAWAH
BOWRING	COVINGTON-DOUG	FRONTIER	KANSAS
BRAGGS	COWETA	GANS	KELLYVILLE
BRAY-DOYLE	COYLE	GARBER	KENWOOD
BRIDGE CREEK	CRESCENT	GEARY	KEOTA
BRIGGS	CROOKED OAK	GERONIMO	KETCHUM
BRISTOW	CROWDER	GLENCOE	KEYES
BROKEN ARROW	CRUTCHO	GLENPOOL	KEYS
BROKEN BOW	CUSHING	GLOVER	KEYSTONE
BRUSHY	CYRIL	GOODWELL	KIEFER
BUFFALO	DAHLONEGAH	GORE	KILDARE

2017 Participating Employers

Public School Districts (continued)

KINGFISHER	MORRIS	PONCA CITY	STIGLER
KINGSTON	MORRISON	POND CREEK - HUNTER	STILLWATER
KINTA	MOSELEY	PORTER CONSOLIDATED	STILWELL
KIOWA	MOSS	PORUM	STONEWALL
KONAWA	MOUNDS	POTEAU	STRAIGHT
KREBS	MOUNTAIN VIEW-GOTEBO	PRAGUE	STRATFORD
KREMLIN-HILLSDALE	MOYERS	PRESTON	STRINGTOWN
LANE	MULDROW	PRETTY WATER	STROTHER
LATTA	MULHALL-ORLANDO	PRUE	STROUD
LAVERNE	MUSKOGEE	PRYOR	STUART
LAWTON	MUSTANG	PURCELL	SULPHUR
LEACH	NASHOBA	PUTNAM CITY	SWEETWATER
LEEDEY	NAVAJO	QUAPAW	SWINK
LEFLORE	NEW LIMA	QUINTON	TAHLEQUAH
LEXINGTON	NEWCASTLE	RATTAN	TALIHINA
LIBERTY	NEWKIRK	RAVIA	TALOGA
LIBERTY	NINNEKAH	RED OAK	TANNEHILL
LINDSAY	NOBLE	REYDON	TECUMSEH
LITTLE AXE	NORMAN	RINGLING	TEMPLE
LOCUST GROVE	NORTH ROCK CREEK	RINGWOOD	TENKILLER
LOMEGA	NORWOOD	RIPLEY	TERRAL
LONE GROVE	NOWATA	RIVERSIDE	TEXHOMA
LONE STAR	OAK GROVE	ROBIN HILL	THACKERVILLE
LONE WOLF	OAKDALE	ROCK CREEK	THOMAS-FAY-CUSTER
LOOKEBA-SICKLES	OAKS MISSION	ROCKY MOUNTAIN	TIMBERLAKE INDEPENDENT
LOWREY	OILTON	ROFF	TIPTON
LUKFATA	OKARCHE	ROLAND	TISHOMINGO
LUTHER	OKAY	RUSH SPRINGS	TONKAWA
MACOMB	OKEENE	RYAL	TULSA
MADILL	OKEMAH	RYAN	TUPELO
MANGUM	OKLAHOMA CITY	SALINA	TURKEY FORD
MANNFORD	OKLAHOMA UNION	SALLISAW	TURNER
MANNSVILLE	OKMULGEE	SAND SPRINGS	TURPIN
MAPLE	OKTAHA	SAPULPA	TUSHKA
MARBLE CITY	OLIVE	SASAKWA	TUSKAHOMA
MARIETTA	OLUSTEE	SAVANNA	TUTTLE
MARLOW	OOLOGAH TALALA	SAYRE	TWIN HILLS
MARYETTA	OPTIMA	SCHULTER	TYRONE
MASON	OSAGE	SEILING	UNION
MAUD	OSAGE HILLS	SEMINOLE	UNION CITY
MAYSVILLE	OWASSO	SENTINEL	VALLIANT
MCALESTER	PADEN	SEQUOYAH	VANOSS
MCCORD	PANAMA	SHADY GROVE	VARNUM
MCCURTAIN	PANOLA	SHADY POINT	VELMA ALMA
MCLOUD	PAOLI	SHARON MUTUAL	VERDEN
MEDFORD	PAULS VALLEY	SHATTUCK	VERDIGRIS
MEEKER	PAWHUSKA	SHAWNEE	VIAN
MERRITT	PAWNEE	SHIDLER	VICI
MIAMI	PEAVINE	SILO	VINITA
MID-DEL	PECKHAM	SKIATOOK	WAGONER
MIDDLEBERG	PEGGS	SMITHVILLE	WAINWRIGHT
MIDWAY	PERKINS TRYON	SNYDER	WALTERS
MILBURN	PERRY	SOPER	WANETTE
MILL CREEK	PIEDMONT	SOUTH COFFEYVILLE	WAPANUCKA
MILLWOOD	PIONEER	SOUTH ROCK CREEK	WARNER
MINCO	PIONEER-PLEASANT VALE	SPERRY	WASHINGTON
MOFFETT	PITTSBURG	SPIRO	WATONGA
MONROE	PLAINVIEW	SPRINGER	WATTS
MOORE	PLEASANT GROVE	STERLING	WAUKOMIS
MOORELAND	POCOLA	STIDHAM	WAURIKA

2017 Participating Employers

Public School Districts (continued)

WAYNE	WETUMKA	WILBURTON	WYANDOTTE
WAYNOKA	WEWOKA	WILSON	WYNNEWOOD
WEATHERFORD	WHITE OAK	WILSON	WYNONA
WEBBERS FALLS	WHITE ROCK	WISTER	YALE
WELCH	WHITEBEAD	WOODALL	YARBROUGH
WELEETKA	WHITEFIELD	WOODLAND	YUKON
WELLSTON	WHITESBORO	WOODWARD	ZANEIS
WESTERN HEIGHTS	WICKLIFFE	WRIGHT CITY	ZION
WESTVILLE			

Career and Technology Centers

AUTRY	GORDON COOPER	METRO TECH	RED RIVER SCHOOL
CADDO-KIOWA	GREAT PLAINS	MID-AMERICA	SOUTHERN OKLAHOMA
CANADIAN VALLEY	GREEN COUNTRY	MOORE-NORMAN	SOUTHWEST
CENTRAL OKLAHOMA	HIGH PLAINS	NORTHEAST	TRI COUNTY
CHISHOLM TRAIL	INDIAN CAPITOL	NORTHWEST	TULSA
EASTERN OKLAHOMA CO	KIAMICHI	PIONEER	WES WATKINS
FRANCIS TUTTLE	MERIDIAN	PONTOTOC	WESTERN

Colleges and Universities

CAMERON UNIV	N OKLA COLLEGE	OU HEALTH SCIENCES	TULSA COMMUNITY
CARL ALBERT STATE	NE OKLA A&M COLLEGE	REDLANDS COMM.	UNIV CENTER AT PONCA
COLLEGE		COLLEGE	CITY
CONNORS STATE COLLEGE	NE STATE UNIV	ROGERS STATE UNIV	UNIV OF CENTRAL OKLA
EAST CENTRAL STATE	NW OKLA STATE UNIV	ROSE STATE COLLEGE	UNIV OF OKLA
EASTERN OKLA STATE	OKC COMMUNITY	SE OKLA STATE UNIV	UNIV OF SCIENCES & ARTS
COLLEGE	COLLEGE		
LANGSTON UNIV	OKLA PANHANDLE ST	SEMINOLE STATE COLLEGE	W OKLA STATE COLLEGE
MURRAY STATE COLLEGE	OKLA STATE UNIV	SW OKLA STATE UNIV	

Other Entities

ABLE CHARTER SCHOOL	DEPT OF EDUCATION	KIPP REACH COLLEGE PREP	S E OKLA INTERLOCAL COOP
BOARD OF PRIVATE VOC	DEPT OF REHAB SERVICE	KIPP TULSA COLLEGE PREP	STATEWIDE VIRTUAL
SCHOOLS			CHARTER SCHOOL BOARD
BOARD OF REGENTS FOR	EPIC CHARTER	OFFICE OF EDUCATIONAL	STREET SCHOOL
HIGHER ED		QUALITY AND	
		ACCOUNTABILITY	
BOARD OF REGENTS OF OK	FIVE STAR INTERLOCAL	OKLA SCHOOL OF SCIENCE	TEACHERS RETIREMENT
COLLEGE		& MATH	SYSTEM
C C O S A	HARDING CHARTR PREP	OKLA STUDENT LOAN	TRI-COUNTY INTERLOCAL CO-
		AUTH	OP
CAREER TECH	HARDING FINE ARTS	OKLAHOMA YOUTH	TULSA SCHOOL OF ARTS&
	CENTER	ACADEMY CHARTER	SCIENCES
CHOCTAW NATION	HARPER ACADEMY	OMES	UNIVERSITY CENTER OF
INTERLOCAL COOP	CHARTER SCHOOL		SOUTHERN OKLA
DEBORAH BROWN	INDEPENDENCE CHRTR	OSAGE COUNTY	WESTERN VILLAGE CHARTER
	MIDL SCHOOL	INTERLOCAL COOP	SCHOOL
DEPT OF CORRECTIONS	JOHN REX CHARTER ELEM	QUARTZ MOUNTAIN	
	SCHOOL		